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By A. J. HAYES

President, International Association of Machinists

THE way most rank and file union members feel about unemployment compensation is that it has become a matter of too little, too late—for too few. This sums up the attitude I encounter most when I talk to rank and file union members about the benefits, coverage and duration of unemployment compensation in so many states to-day.

The first and basic reason for setting up an unemployment compensation system in the United States was to protect wage-earners against one of the risks of a free economy—namely, the risk of unemployment caused by conditions over which individual workers have no control.

Second, we intended unemployment compensation to function as a kind of economic shock absorber not only for the workers but also for many others in the community whose livelihood depends on the workers' earnings—the grocer, the landlord and the like. We aimed at a stabilization of the purchasing power of wage-earning families—and thus at a stabilization of the entire economy, including, of course, a stabilization of the employer's own market.

Third, a nation as rich and abundant as ours is not going to stand by while unemployed workers and their families starve in the streets. Not only can our society afford to relieve economic distresses for which individuals are not at fault, but it has no alternative that is compatible with its

Judaic-Christian principles and beliefs.

We are committed to take care of unemployment by one method or another. We might have chosen to meet this commitment by establishing a public dole or we could—as we did—choose to apply insurance principles to a known and computable risk.

One of the attractions of unemployment insurance, as opposed to charity, was that it did not rob the worker of his dignity and self-respect. It assumed that the cost of unemployment compensation was one of the rightful costs of doing business and that the worker should receive his benefits as a matter of right, not charity.

Normally, when we set up a new program of social insurance, we assume that we will start off in a modestly experimental way and then progressively improve the program in the direction of its real objectives. In the case of unemployment compensation we did start off with a rather modest program and it did prove its value almost immediately. But here, instead of strengthening it through the years, we have steadily weakened its worth and effectiveness—not only to unemployed workers but to the community as well.

What has happened to benefits?

One of the purposes of these laws is to provide some stability of income and purchasing power. No one con-

tends that a worker should receive full wages while unemployed, but in the beginning it was understoodby employers and labor alike-that maximum weekly benefits would be set high enough so that few workers would receive less than half of their average weekly earnings and most workers would receive more.

Shrinking Payments

In the beginning the majority of the state laws set their maximum benefits high enough to meet this first important requirement. In fact, in 1939 a total of thirty-four jurisdictions provided for maximum benefits that amounted to 60 per cent or more of the average weekly wages paid within their borders. Moreover, eighteen of these set maximums that amounted to 70 per cent or more of average weekly wages. And not one state provided for a maximum that was less than 50 per cent of average weekly wages.

That was a good start. Unfortunately it was also the high point from which we have been receding ever since. Year by year, the State Legislatures have failed to keep these maximums in line with wages and prices. Partly this failure has been due to the domination of so many Legislatures by rural delegations that do not understand the problems of urban workers. And partly it is due to the pressure that business lobbies are able to exert so effectively on the Legislatures.

But whatever the reason, the result has been that year by year the value of unemployment compensation to the worker-and to the communityhas gradually been eroding away.

In the 1958 recession, when a strong system of unemployment insurance would have prevented much misery and would have pumped badly needed purchasing power into the economy, forty-four of the fifty-two state and territorial laws provided for benefits amounting to less than 50 per cent of average weekly wages and thirteen of these forty-four paid even less than 40 per cent of average weekly wages.

As a result, the typical maximum benefit paid in 1958 was only 44 per cent of average weekly wages-as compared with 65 per cent in 1939which explains why the average unemployed worker received a benefit of only one-third of his average weekly wages. Though one family out of four had someone unemployed or working only part time in 1958, less than one-fourth of the total wages lost in the economy were replaced by unemployment compensation.

It is true, of course, that the recession experience caused a flurry of activity in the State Legislatures this vear. Twenty-one states raised weekly benefits, but only seven of these states set their new maximums at even half of the average weekly wages paid within their borders. And only one state, Hawaii, meets even the minimum standards which the President has recommended.

IN VIEW of this lag in benefit levels and also in view of the glacial pace at which progress seems to come in this field, there can be little wonder that so many workers have become disillusioned with state-administered unemployment compensation programs-especially since inadequate benefits, bad as they are, represent only one easily demonstrated weakness in the present compensation standards.

Even worse is the spirit in which too many State Legislatures and, yes, even administrators approach these laws. For that approach seems to be based on an assumption that the average American worker is a cheat, a liar and a lazy laggard who would rather collect unemployment compensation than go to work.

Laggards or Workers?

I remember quite clearly how so many businessmen, professionals, politicians and intellectuals opposed public works and home relief during the great depression because, they said, if you feed unemployed workers you automatically destroy their incentive to work, even when work becomes available.

It would seem that the experience of World War II should have shattered that particular shibboleth for all time. Because, when the defense programs made jobs plentiful, in 1940, the relief rolls immediately dried up and millions of good, honest

American workers went back to work

as fast as they could.

That was what they really wanted to do. They did not look upon relief as a way of life—just as today none but rare and abnormal specimens would look upon unemployment compensation as a suitable substitute for

gainful employment.

Unfortunately, however, employer associations have been able to convince our rural-dominated State Legislatures that all workers are potential rare specimens. Thus we find the state laws almost uniformly weighted with the most rigid eligibility requirements and with all manner of ingenious provisions designed specifically to disqualify a claimant whenever possible.

Not only does he have to pick his way carefully through a tangle of red tape before he can prove his eligibility, but he must also expect his employer to put every obstacle in his path. And the laws provide the employer with a built-in motive for doing so. This motive goes by the name of "experience rating." If ever there was a neat way to rip the insurance principle out of what was supposed to be an insurance program, it was the insertion of experience rating into the state unemployment compensation laws.

We cannot have a sound system of unemployment compensation until we eliminate or at least drastically curtail the effect of experience rating on the financing of our state funds. And we can't forget that, though employers generally look upon federal standards as nothing less than the work of the devil, this is one federal standard that they regard as heavenly, simply because it saves them

dollars and cents.

The rationale for experience rating is that it will encourage employers to stabilize employment. However, I don't think anyone has ever found an employer who actually kept employes on the payroll in order to have his experience rating. Business just isn't carried on that way. Quite the contrary, the only practical result of experience rating is to give an employer a powerful reason to fight every possible claim. The more claims he can defeat, the greater will be his tax rebate.

Effects of Experience Rating

In at least one state, Ohio, employers can hire the services of an agency whose sole function is to contest compensation claims and whose fee is based on the number of worker claims it can successfully defeat. What a cold-blooded business this is! But this is what experience rating leads to, just as it leads to all the other limitations, disqualifications and narrow eligibility requirements that have put unemployment compensation in a straitjacket.

EXPERIENCE rating not only washes the insurance feature out of unemployment insurance but it also gives the few big corporations that are flexible enough to absorb periodic fluctuations a competitive advantage over the small companies that are not as financially flexible.

But the heart of the problem with experience rating—and the reason organized labor would like to at least modify its effect—is that it results in inadequate financing which in turn leads to inadequate benefits.

For example, in thirteen states last year, large numbers of experiencedrated employers made no contribution whatsoever to the compensation fund. What this means, quite naturally, is that next year, when the organized labor movements of these states again try to get better laws and more equitable benefits, the employers will point to the low reserve balance in the state fund and say, "We can't afford it." Certainly they can't afford it, because during all the fat years of prosperity when they should have been building the fund they were slipping out on their responsibility through the escape hatch of experience rating.

In state after state benefits are geared not to the level of the worker's need but to the level of income that the fund receives, a level perpetually kept inadequate by a gimmick that has no valid place in a system of social insurance.

Because of inadequate benefits, rigid eligibility requirements, too many disqualifications and universal experience rating, employer lobbies have been able to drive tax rates, as a percentage of total payrolls, from 2.7 per cent in 1938 to .9 per cent in 1958. In other words, they are paying about one-third as much, per employe-hour worked for unemployment compensation, as they did twenty years ago.

If we translate this into its effect on the labor force, it means that 4,000,000 workers who needed unemployment compensation last year were not eligible to receive it. It means that another 3,000,000, who did receive some compensation, had their benefits cut off before they were reemployed.

In these figures we can see how well employer lobbies have succeeded in strangling unemployment compensation. They are not just hurting their workers alone. They are also hurting the community and in the long run themselves, because every time another state law is weakened, every time a new disqualification or a new eligibility requirement is added, the purchasing power of American workers and the total strength of the economy must decline in proportion.

UC Is "Market Insurance"

It was for these reasons that the late Sumner Slichter once said that, as an economist, he was surprised "that American businessmen have not taken the lead in insisting that Congress protect their markets, and protect their investments, by giving the country a truly adequate system of

unemployment compensation."

It goes without saying that we believe the purpose of unemployment compensation will not be achieved until we have brought maximum benefits back to the levels where they were originally meant to be and also until we have cleared away the entangling underbrush in provisions that relate to eligibility and disqualification.

The maximum duration of benefit payments must eventually be extended beyond the twenty-six-week period that is standard today. America is in a period of technological change. And this kind of change—based on automation, the evolution of new products, industry relocations and other factors over which workers have no control—promises to lengthen the duration of unemployment for the workers who are affected.

26 Weeks Not Enough

This means that we must begin to set our sights on a national standard of thirty-nine weeks. From past experience we know that not all workers will collect benefits for the entire thirty-nine-week period—that most will find employment before they use up even the twenty-six weeks of eligibility they now have. But for those who cannot find new jobs within twenty-six weeks—because of the operation of outside forces in the economy—greater duration of benefits is needed—and must come.

In addition to the objectives I have already mentioned, we believe there is need for a new philosophic approach on the part of the people who administer these programs. The best place to start is right in the local unemployment compensation office. Some states are doing a very good

job, but in other states, as one worker recently told me, "They act like the money is coming out of their own pocket."

Too many administrators seem to look upon the fund as some kind of sacred repository that must not be disturbed, except under very rare and unusual conditions. Thus it is that if some small technicality can be found to deny a worker his claim, that technicality will prevail.

In this day and age of automation and technological change we keep telling workers that they must prepare themselves for the future. We encourage them to go to school to get technical training that will keep them abreast of the changing needs of industry.

But what happens if a worker becomes unemployed and, instead of unsuccessfully searching for work where there is no work or instead of sitting around waiting for his callback, decides to enroll for classes that will sharpen and broaden his skills? With very few exceptions, the states would classify this worker as unavailable for employment and would knock him straight off the compensation rolls even though there is no job for him if he were not attending classes.

No Jobs, No Benefits

The same is true if an unemployed claimant becomes sick or breaks an arm. He is denied compensation as being unavailable for employment—even though there is no employment available to him.

In both of these cases it would seem reasonable to apply the penalty of cutting off benefits only after the worker has actually refused to accept a bonafide offer of employment. These examples are illustrative of what is wrong with unemployment compensation today. Workers are treated as if unemployment insurance was not meant to be for their benefit—as if, at best, it were a gift given grudgingly by an unwilling employer. But this is not what unemployment compensation was intended to be and it is not what it should be. This is merely what it has become under a system which requires fifty states to compete against one another.

This brings us close to the heart of the central problem—the problem of trying to get meaningful standards and sympathetic administration when fifty states must compete with one another for the favor of industry by keeping standards as low as possible.

We go to Congress and we ask for equitable and much-needed standards—and we meet the old argument that this is a matter of "states' rights." Then we go to the states and we meet the same people, only now they are telling State A that if standards are raised any higher industry will pick up and move to State B where standards are lower.

Employers Alone

This is true not only of employers. The Interstate Conference of Employment Security Agencies, an organization of the top state administrators, attempted last spring to convince a Congressional committee that there was no need for federal legislation in this area—and that only six states were in favor of raising federal standards.

As it turned out, however, the committee had already received telegrams, letters and memoranda from the governors of at least seventeen states—which states, by themselves, contain a total of 55.6 per cent of the work force—strongly urging and endorsing the same federal standards that representatives of the Interstate Conference were trying to defeat.

The one major advance we have made in this field in the last twenty years—namely, the expansion of coverage from employers of eight or more to employers of four or more—has come through federal action. It is also appropriate to mention that workers covered by the federal Railroad Unemployment Insurance Act have uniform and consistent nationwide benefits that far surpass those provided by state law.

Interstate Blackjacking

Improved federal standards would not weaken state programs but rather would strengthen their ability to serve the workers and remove the kind of conditions that put industry into a position where it can blackjack one state's good intentions with another state's bad standards.

This would be a very good time to initiate an intensive reevaluation of our entire unemployment compensation system. That system was put to a severe test last year, and not only did it fail to meet the needs of unemployed workers but the funds of at least six states were most seriously depleted by the strain.

I am not suggesting that we need to push any panic button. Happily, the crisis we faced last year seems safely past for the moment. We are fortunate now in that we can approach a reevaluation without being stampeded into it, as we would have been had the recession gone a little longer and a little deeper than it did.

If American workers cannot get an equitable system of unemployment

compensation from the state governments, then it is reasonably certain that they will get it—eventually—either through uniform federal administration or through further negotiations for supplemental unemployment benefits.

The American labor movement has one fundamental purpose—one reason for existence. That purpose is to serve and protect American workers. There are times when we in the labor movement, in seeking needed

improvement in the social and economic order, must put more emphasis on the things that are wrong than on the things that are right.

The thing that is wrong is the fear, insecurity and want that still accompany a layoff notice or discharge slip. It is the removal of this fear, insecurity and want that is behind labor's fight for federal standards and better unemployment compensation.



AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS 815 Sixteenth Street, N. W. WASHINGTON 6, D. C.

George Meany, President Wm. F. Schnitzler, Secretary-Treasurer

PUBLICATION NO. 102
Reprinted from the November, 1959 issue of the AFL-CIO FEDERATIONIST
Based on an address to the Interstate Conference of Employment Security
Agencies



DOCTORS and the Forand Bill







FOREWORD

In 1960 we shall be observing the 25th anniversary of Social Security in America.

We have made considerable progress since the days of the county poorhouse. This progress has been made despite the opposition from organized medicine to the original Social Security Act of 1935 and to subsequent major improvements.

Many public-spirited physicians have shared our regret that the voice of the medical profession has been raised so consistently with the voices of big business and the commercial insurance industry against each new form of social insurance, including the disability amendments of 1956, which have now gained general acceptance.

Today the most serious gap in our family security structure is the failure to provide payments for medical care for retired people and for families whose breadwinner has died. The Forand bill (H.R. 4700) would fill this gap.

There were Congressional hearings on this bill in July 1959. Many prominent physicians, aware of the quarter-century successful operation of old-age and survivors insurance agreed with representatives of labor, professional, farmer and welfare groups that this social security mechanism could be employed to meet the medical needs of retired people. Some of these doctors dared to speak out. They were not all in favor of the bill in its present form, and a number of them made valuable suggestions for ways of improving it. These were welcomed by Congressman Forand and others who support the proposal.

Excerpts * from the statements of these men, all outstanding leaders in the medical profession, are contained in this leaflet. We, in labor, are indebted to these fine doctors for their support and their constructive suggestions.

* The full text of the statements of the physicians cited here can be found in Hospital, Nursing Home, and Surgical Benefits for OASI Beneficiaries, Hearings before the Committee on Ways and Means, House of Representatives, 86th Congress, 1st session, on H.R. 4700, July 13 through July 17, 1959, Government Printing Office, Washington, D. C.

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George Meany, President Wm. F. Schnitzler, Secretary-Treasurer

Prepared by the AFL-CIO Department of Social Security Nelson H. Cruikshank, Director January 2, 1960

Publication No. 103



JAMES P. DIXON, JR., M.D.

Commissioner of Health, City of Philadelphia, 1952-59

Board of Directors, Hospital Council of Philadelphia, 1958-59

Chairman, Program Area Committee on Medical Care, American Public Health Association, 1958

Diplomate, American Board of Preventive



I am a director of the Hospital Council of Philadelphia and appear today on its behalf and specifically on behalf of its committee on government relations which, during the past four months, has been making an intensive study of the problem of financing hospital care of the needy in Pennsylvania.

Unpaid care has become such a drain on the resources of our hospitals that the quality and the availability of hospital services are seriously threatened.

There are currently about 250,000 people on social security in the five counties of southeastern Pennsylvania, and these people use about 36 percent of all free care given in the area's 58 hospitals. If these beneficiaries were covered by hospital insurance, a third of our free care deficits would be wiped out. State and local grants could then be applied to the remaining two-thirds, and hospitals would be financially able to devote a much larger portion of their income to improvement of services and the raising of wages.

Under H.R. 4700, benefits would be paid to hospitals for OASDI recipients either directly from the social security trust fund, or indirectly through voluntary insurance plans.

Such a system . . . would minimize pauperism by making a means test unnecessary for obtaining benefits; it would eliminate the need for any contribution after retirement; it would spread contributions over the individual's working lifetime; it would avoid increasing the costs of voluntary hospital insurance for the younger population because of the inclusion of aged persons; and it would appeal to State and local governments and their taxpayers, as it would tend to keep down the ever-increasing cost of health care under public assistance and State hospital aid programs.

My experience . . . as a public health executive in the city of Philadelphia brings before me continuously problems of people who are unable to receive the kind and quantity of medical care that a physician practicing in the community would judge it would be necessary for them to receive.

MORRIS BRAND, M.D., Medical Director, Sidney Hillman Health Center, New York, New York; Chicago; JOSEPH A. LANGBORD, M.D., Medical Director, Sidney Hillman Medical Center of the Amalgamated Laundry Workers Health Center of New York.

The undersigned, medical directors of the four health centers affiliated with the American recommend passage of the Forand bill.

In our daily activities we are frequently confronted with the necessity of hospitalizity setire municipal and voluntary hospitals because they have not been able to afford hospital and have been advised to be hospitalized for such serious conditions as impending gangrene the turned away by the hospitals to which we had referred the members. Such situations we

We know of no adequate remedy for this gap in our medical coverage except an equital In spite of the American Medical Association's official attitude, many physicians like arsely

LEO PRICE, M.D.

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Director, Union Health Center, Interna-tional Ladies' Garment Workers' Union Diplomate, American Board of Preventive Medicine

Member, Commission on Medical Care Plans, American Medical Association Associate Clinical Professor of Industrial Medicine, New York University

The union health center in New York, owned and operated by the ILGWU... serves 140,000 workers in the metropolitan area, providing ambulatory care for them.

As a rule, garment workers are not large wage earners. Our experience among our patients is that the majority earn between \$2,500 to \$3,500 a year because of the seasonal nature of the industry.

Social security and union pensions are almost the sole sources of income for retired patients. Due to their low earnings in past years, their social security benefits do not reach the maximums and their union pensions are only \$50 to \$65 a month. Obviously, this is not enough to provide even the bare essentials of daily living, much less any additional cost for medical care. We have had evidence of their financial difficulties in medical problems by their inability to pay for low cost drugs at the center which are priced on a cost basis.

Only a small number of people manage to carry hospitalization insurance on an individual basis after they have retired from the industry where it had previously been provided on a group insurance plan.

Many patients are reluctant to go to municipal hospitals because of the charity atmosphere and the means test.

No. ork; WILLIAM S. HOFFMAN, M.D., Medical Director, Sidney Hillman Health Center of center of the Male Apparel Industry of Philadelphia; JULIUS SCHWIMMER, M.D., Medical Director,

Am amated Clothing Workers of America and serving 110,000 members and spouses, strongly

dizite setired members and their spouses for surgical and nonsurgical conditions as ward cases in and argical insurance coverage. We have cases on record to prove that retired members who the toes, acute thrombophlebitis of the lower extremities, and cancer of the colon were not have occurred if these members had adequate personal funds or insurance coverage. system of national coverage, paid for by the worker during his years of peak earning power. like a reselves support the principles of the Forand bill and want it passed.

FRANK F. FURSTENBERG, M.D.

Medical Director, Sinai Hospital Out-Patient Department, 1951-

Director, Sinai Hospital Medical Care Clinic, 1947-Administrative responsibilty for the program of medical care for Baltimore's public relief clients assigned to Sinai.

Physician, Allergy Clinic, Johns Hopkins Hospital, 1939-

Instructor, Medicine, Johns Hopkins School of Medicine, 1939-

Fellow, American Academy of Allergy and American Public Health Association



In my function as medical director of an out-patient department we see OASDI beneficiaries when they cannot get adequate medical care. I would like you to take the necessary steps to add out-patient service and comprehensive care for the beneficiaries so that the need for hospitalization will be minimized and the patient will be given preventive diagnostic service outside the hospital.

Much depends on the rate at which you get medical care. If someone comes to an outpatient department or to a hospital emergency room and is in cardiac failure and needs to be hospitalized right away, there are no questions asked.

But suppose the person comes with hypertension and incipient failure, and it looks as though he needs medical care but he is a transient and there is a question of indigency. There are many hospitals that will not take care of such patients until they establish eligibility, go through a means test so that the hospital can collect.

It does not seem fair to me that OASI beneficiaries should have to be pauperized in order to get medical care or that they should have to undergo a means test to obtain medical care.

CALDWELL B. ESSELSTYN, M.D.



Founder and Medical Director, Rip Van Winkle Clinic, Hudson, New York Diplomate, American Board of Surgery Fellow, American Geriatrics Society Associate in Surgery and Special Lecturer in Preventive Medicine and Public Health, Albany Medical College, 1950-Vice President, Group Health Association of America
Fellow, American Public Health Association

... No voluntary insurance plan of any sort can create the necessary resources to provide adequate coverage for this older age group. It is just a question of trying to get blood out of a stone.

Recently . . . I had an experience with a patient who left the hospital. He was insured under the Continental Casualty program of over 65. His hospital stay over and above what he was allowed through his insurance cost him \$538.

I think this is a very representative case of the kind of things that happen with the best there is in the over 65 policies that are being made available today.

It is...gratifying to see the Federal social security system used as a solution to the problem of more adequate health care for the aged, as proposed in H.R. 4700.

Representative Forand has very kindly invited criticism of his bill, and within the spirit of this invitation, I would like to offer . . . suggestions:

I think that the final draft of this bill must provide for ambulatory diagnostic care in nonprofit institutions.

It should be passed complete with built-in standards and quality controls.

The last suggestion I have to make is that certain sums of money be set aside to support and document the experience of programs demonstrating various methods of providing comprehensive care for older people.

I think the method of remuneration of doctors, the way they are organized, has very little to do with the doctor-patient relationship.

If the driving force of a doctor is his interest in people, it is not going to be affected by the method of payment of the organization under which the care is provided.

I feel very strongly that this bill would not control medical practice. It would make medical practice as the doctor wants to practice it more available.

Director, Health Services Coordination Study, Council of Jewish Federations and Welfare Funds, Inc.

Associate Professor Emeritus, Harvard University School of Public Health Diplomate, American Board of Preventive Medicine

Fellow, American College of Preventive Medicine



To look forward, one must believe in old age. If the ideal of growing old gracefully is to become a reality, if the concept of equal opportunity is to be translated into a practical plan, then individual effort must be combined with social action directed toward development of as comprehensive a health program as can be devised on the basis of present scientific knowledge and technical skill.

To consider solely the frequency of insurance among senior citizens is to disregard the maxim "thou shalt not worship numbers." What counts most is the type, scope, and period of benefits covered. Senior citizens, more than any other age group, need home care by physicians, nurses and other personnel, medical and nursing services in the institution for long-term care, and drugs and appliances—benefits rarely, if at all, included in contracts—and they require full coverage of hospital care and professional services in the hospital for a much longer period than is offered by most plans at present.

Inclusion of health benefits in OASI would be of limited value if the pattern of benefits set by most of the voluntary plans were followed and it would be open to serious question if the emphasis were placed on payment of medical bills rather than on maintenance of high standards of service. These dangers can be avoided, though.

The bill under consideration (H.R. 4700) has three noteworthy merits: (1) It provides for service benefits, thereby affording very much better protection than that offered to the majority of the persons carrying voluntary insurance; (2) it covers the full costs of hospital service for a period of 60 days, in contrast to the large number of voluntary plans terminating full benefits after about 30 days; (3) it includes nursing home services following hospitalization for a combined total of 120 days, thereby filling a serious gap in the benefits provided by the vast majority of all voluntary plans.

The bill is deficient in that it calls for coverage of surgical service only, whereas elderly people need nonsurgical services as much, if not more.



Special Medical Consultant, Health Insurance Plan of Greater New York

Member, Board of Hospitals, City of New York

President and Medical Director, Health Insurance Plan of Greater New York, 1950-1957

Trustee, New York Academy of Medicine President, New York Academy of Medicine, 1945-1949

Chairman, Public Health Council, State of New York, 1955-

Director of Clinical Research, Columbia University, 1944-1950

I am consultant to, and previously president and medical director of, the Health Insurance Plan of Greater New York, which is responsible for virtually the total personal health services of 550,000 people in New York City.

Most nonprofit health insurance plans such as . . . the Health Insurance Plan of Greater New York . . . have always permitted insured persons to continue their coverage with undiminished benefits after retirement.

But \$90 a year even for virtually total medical and surgical care for a twoperson family without any extra doctors' bills at the time of illness seems to be too much to pay out of their small retirement income, especially since they must also carry the full cost of Blue Cross hospital insurance, which virtually doubles the cost.

Only about one-third convert to individual insurance on retiring and many of these find it impossible to continue to pay the premiums after a year or two. They drop out just when they enter the years of greatest medical need. As a result, slightly less than 4 percent of HIP's 550,000 insurees are 65 years or over, whereas people of this age group constitute 9.1 percent of New York City's population. This clearly demonstrates that the privilege of converting health insurance to an individual contract after retirement will not solve the problem, even though the benefits are continued in full measure and the annual premium rate is almost the same as the group rate.

Only through the social security mechanism can people of moderate means prepay in advance during their years of employment those high costs of hospital and nursing home care to which most people are exposed in their old age.

positive

AMERICA

Published by the

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS 815 Sixteenth St., N.W., Washington 6, D. C.

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Prepared by the AFL-CIO Legislative Dept.

ANDREW J. BIEMILLER, Director

Publication No. 104 January 1960

The preamble to the Constitution of the United States sets forth six objectives. One of them has always had major significance for the labor movement:

"To promote the general welfare."

What distinguishes the labor movement from the "special interest" lobbies in Washington and the state capitals is our concern for the "general welfare" of our nation and all its people, rather than the interests of union members alone.

It is in that tradition that the issues set forth in this pamphlet are presented and discussed.

Where America Stands Today

By the end of this year our national production will be at a rate of \$500 billion a year—half a trillion dollars, the greatest productive achievement in the word's history.

But we must not be dazzled by this statistic. This apparently impressive figure is too small. Since 1953 our national economy's growth has barely kept pace with the increase in our population. It has grown too slowly to meet the long-neglected needs of our own people; and it has been at a snail's pace compared to the surging growth of the Soviet Union, which threatens to match our industrial power in a decade.

These pages are devoted primarily to domestic affairs. But let us remember that our strength at home has a direct bearing on our strength in the world arena, where the fate of human freedom is at stake.

Without prompt and positive action, more than 10 million American families will live through 1960 in poverty—not poverty in terms of the most backward areas of the world, perhaps, but real poverty in the context of the American way of life.

And this is only the most dramatic indication of the task ahead. Consider these related facts:

- Millions of Americans are living in slums or near-slums, in decaying neighborhoods or beleaguered cities.
- Millions of boys and girls are being deprived of a good education because of the inadequacies of our school system.
- Millions of older citizens are unable to meet rising medical costs or find suitable living-quarters they can afford.
- Millions of workers are paid the obsolete minimum wage of \$1 an hour—and millions more are denied even this much protection.
- Millions who lost their jobs to industrial automation or migration, through no fault of their own, have exhausted their unemployment insurance.
- Millions of small farmers and farm laborers are finding it increasingly hard to maintain bare subsistence.
- Millions of our citizens are denied decent housing, good schooling and equal job opportunities because of the color of their skin.

These shortcomings are more bitter because their cures lie close at hand. Well-considered remedies for every one of them have been devised, but Congress failed to act in 1959. We and those who stand with us in our quest "to promote the general welfare" expected much from the first session of the 86th Congress. We expected substantial progress toward the solution of the problems listed above. We did not get it.

The major preoccupation of Congress during the year was so-called "labor reform." But for the most part, Congress brushed aside constructive proposals for anti-corruption legislation in its avid pursuit of restrictive labor laws. Under White House pressure a measure was adopted that dealt inadequately with corruption—which the AFL-CIO has fought valiantly to exterminate—but struck instead at the legitimate operations of honest unions.

Progressive legislation was ignored, delayed or diluted. Hearings were held on a number of pressing issues; committee action was taken on a few of them; but only a handful were brought to a vote in either house.

Thus, we find a heavy inventory of:

Unfinished Business for 1960

In this presidential year, the congressional session will be short. Yet this is also the year when all members of the House, and a third of the Senate, will come before the political bar of judgment—the voters.

Measures that can and should be enacted this year are listed in this pamphlet, starting on Page 8. Not one of these proposals is new or revolutionary; every one of them is essential.

Yet these are not the only essentials "to promote the general welfare." In addition to the measures treated in detail in the following pages, the AFL-CIO has a deep concern with a wide range of other problems.

For example:

• We want an effectively-controlled disarmament system; but meanwhile, we must not begrudge a

single dollar to keep our defenses strong and to restore our space science to international leadership.

- We must improve and strengthen our efforts to help underdeveloped nations to help themselves toward economic well-being.
- We must revise our immigration policies to restore our historic concern for the victims of oppression, and our humane regard for individual suffering.
- We must move decisively against the moral decay represented by "payola", false advertising and TV frauds, to the end that the consumer once again be protected from those who subvert mediums of mass communications.
- We must make sure that government workers the dedicated and anonymous millions who make our system possible—are rewarded in proportion to other groups in our economy.

If these goals, and the others in this pamphlet, are to be reached against the opposition already described:

The People Must Speak

Man for man, the 86th Congress will be the same this year as it was last year. If there's going to be a different record, you will have to be heard.

True enough, the AFL-CIO and many member unions have full-time spokesmen in Washington. But they're outnumbered by far by the lobbyists for the National Association of Manufacturers, the Chamber of Commerce and scores of anti-labor, anti-progress outfits you never heard of.

All we've got on our side is people—people like you.

And the way you can make your numbers count is by speaking up, through letters to your

own Congressman and your own two Senators.

Issue by issue, week by week, you and your friends and your neighbors must let these members of Congress know how you feel.

Let them count people, not property; men, not money.

Working together, with all those who share our dream of a better America and a free world, we can't be beat.

1. Raise and Extend Minimum Wage

"Continued failure to extend the Act's protection and to increase the level of the minimum wage is producing a degrading consignment of literally millions of employed but ill-paid American workers and their families to a permanently depressed bare-subsistence class in our society. This class is being denied a fair share of general progress and well-being.

AFL-CIO Convention Resolution, 1959

The present \$1.00 federal minimum wage is too low and it applies to too few workers. Action on

both these fronts is long overdue.

Of some 45 million workers who could and should be protected by the Fair Labor Standards Act, over 20 million are totally excluded from its coverage. The Kennedy-Morse-Roosevelt bill (HR 4488, S 1046) would extend coverage to about 7½ million of these unprotected workers. These are principally employed in retail and wholesale trade, large hotels and laundries, construction, and other services. Other bills pending would extend coverage to an additional million agricultural workers.

Lack of coverage means that these workers are paid pitifully low wages or are worked excessive hours without overtime pay. State laws have

failed to provide adequate protection.

The existing \$1.00 minimum, for those workers covered by the law, needs to be raised to keep in step with increases in wage levels generally and with the increased cost of living since it was enacted five years ago. The \$1.00 cannot possibly fulfill the Act's goal of a "standard of living necessary for the health, efficiency and general well-being of workers."

The AFL-CIO supports an increase to \$1.25, as called for in the Kennedy-Morse-Roosevelt bill, as the least that must be done in 1960 to bring the minimum up to date. False cries of "inflation" have already been raised against this very modest

and completely justified adjustment.

Simple economic justice for all wage-earners not union members alone—requires immediate action by Congress in both extending coverage and raising the minimum wage.

More information on each of the parts of the AFL-CIO's program is available from the AFL-CIO Department of Legislation, 815 Sixteenth Street, N.W., Washington 6, D. C.

2. Aid to Depressed Areas

"The entire nation has a stake in helping hundreds of thousands of our fellow citizens restore their depressed communities to a state of economic health. Federal aid is needed not for humanitarian reasons alone; the creation of suitable employment for displaced workers can add billions of dollars to our national output while eliminating the vast social costs of sustaining thousands in idleness."

AFL-CIO Convention Resolution, 1959

There are over a hundred American communities today which have been officially declared to be economically sick. Sometimes the word "depressed" is used, sometimes "distressed", sometimes "area of substantial surplus." Whatever language is used, these are the areas that have not known in recent years anything of "prosperity." They are the victims of raw material exhaustions, technological changes, shifting product demands, changes in government programs.

Whatever the specific cause may be, it can't be solved by a local effort alone; nor can hundreds of thousands of people simply be told to pack and move on. Each of these areas has been affected by trends in the national economy, and it is the responsibility of the whole nation to help such areas.

This responsibility has been recognized by everybody, but to date nothing has been accomplished. In 1960, however, action is a real possibility. Last year the Senate passed a comprehensive Area Redevelopment Act. While not going as far as AFL-CIO would like, it would give technical assistance to distressed areas, provide \$200 million for low-interest redevelopment loans and \$175 million for grants and loans for needed public facilities, and establish vocational retraining programs. It would also give assistance to rural areas suffering from chronic under-employment.

A similar bill, with somewhat reduced financial support, was reported by the House Banking and Currency Committee, but is now held up in the Rules Committee.

If the House passes this bill, agreement in conference should be possible. The only obstacle remaining would be a possible presidential veto.

Labor urges the Congress and the President to delay no longer and take this initial step to save our American communities.

3. Guarantee Civil Rights

"It is up to the Federal Government to take the lead in the task of making secure and fully meaningful for all American citizens the right to equal justice under law and equal opportunity in every field of life and work."

AFL-CIO Convention Resolution, 1959

The plight of millions of our American families is particularly serious because of the color of their skin or because of their religious faith. Progress in assuring equal rights has been painfully slow.

Five years after the historic school decision of the Supreme Court, only 400,000 Negro children of nearly 3,000,000 in 17 southern and border states are in districts where some desegregation has at least been started. Hope that the act of 1957 would result in substantial increases in Negro voting registrations has not been realized; further action is needed. Race riots, hate bombings and other violence have disgraced America—not only in the South but the North as well.

The Congress must act decisively to extend civil rights to all Americans.

It must give the federal government the right to institute actions on behalf of persons not enjoying the rights guaranteed by the Constitution. This means enacting the famous Part III which was eliminated from the 1957 act.

It should provide for technical and financial assistance to schools seeking to abide by the court decision.

It should enact the recommendation of the Civil Rights Commission for the designation of federal registrars in districts where persons are improperly denied the right to register or vote.

Action on these and other civil rights measures may again be thwarted by a coalition of Southern Democrats and conservative Republicans. It is necessary that the people speak out boldly on behalf of meaningful civil rights legislation.

4. Health Benefits for Aged

"The proposed addition of federal health benefits to the social security system . . . would not only save millions of families from anxiety, financial bankruptcy, and needless suffering, but it would also relieve the financial difficulties now threatening many hospitals and welfare agencies, both private and public."

AFL-CIO Convention Resolution, 1959

The social security system, which was started 25 years ago, has done much to bring dignity to the twilight years of Americans. But the system requires constant improvement to fulfill its total function. Health and related benefits for the aged (and for widows and orphans) is the next step.

While most aged persons have low income (the average old-age benefit is only \$72 a month), their medical costs are particularly high, and are ever increasing. They have little or no health insurance protection, such being either unavailable or too expensive for them. Too many must either neglect their health needs, or look to public assistance, or lean on burdened children for support.

The Forand bill (H.R. 4700) would utilize the social security system to provide needed benefits for all who become eligible. Without interfering in any way with the practice of doctors or of hospitals, it would provide for payment for 60 days of hospital care, for skilled nursing home care and for surgical services.

In order to keep the social security system sound, and in order to provide adequate benefits, it is necessary that all the people pay for these benefits throughout their working life, and that the contribution rates be increased to meet the extra costs of health benefits.

While the Forand bill is the major issue for 1960, other social security improvements are needed too. Among these are increases in retirement benefits to all, with widows receiving more than the present 75 percent rate, elimination of the 50 year requirement in total disability, raising the wage base above the present \$4,800 to permit higher benefits, and permitting women to receive regular benefits at the age 60.

In the field of public assistance, the AFL-CIO urges improvements which would permit each state to choose a new and more generous system of federal grants for public assistance to aid all types of needy persons, without residence requirements.

5. Improved Unemployment Insurance

"The states acting individually and separately have failed to improve their laws commensurate with the needs of the unemployed. . . . We support federal legislation providing uniform minimum standards for benefits, duration, eligibility, disqualifications, and genuine tripartite representation on advisory committees, commissions, and appeals boards."

AFL-CIO Convention Resolution, 1959

The states have failed to do a satisfactory job in protecting the unemployed. Only the federal government can correct the situation — through the establishment of minimum standards for all state laws.

It is a sad fact that weekly benefits today provide a much smaller portion of lost wages today than they did back in 1939. While workers suffer from this deterioration in the system, employers gain.

As a percentage of payroll, employers' unemployment compensation taxes are one-third what they were 20 years ago.

To correct this situation, the Federal Unemployment Compensation Standards Bill was introduced last year by many members of both the House and the Senate (H.R. 3547, S. 791). Its principal provisions would require that each state law must require:

- Higher Weekly Benefits—at least half the individual's wages, subject to a state-wide maximum benefit of two-thirds of the state's average weekly wage.
- 39 Weeks Duration for those unemployed who are eligible and qualified, and who are able and available for work.

The bill would also extend coverage, provide better financing alternatives, and would help those states experiencing particularly high rates of unemployment.

The bill is now pending in the House Ways and Means Committee.

6. Support America's Schools

"In no area is our apathy more apparent and in no area is there greater need for action than in support of education. . . . In all of the more than 130 years during which American trade unions have supported the idea of a free, universal educational system, never have the schools faced a greater crisis."

AFL-CIO Convention Resolution, 1959

The Russian Sputnik did not create the education crisis in America, but it made us aware of it. More than two years later, however, we have done nothing about it. As a matter of fact, school construction has declined during each of the last two

The school crisis results from the fact that our school-age population is growing at record rates, and from the fact that rapid changes in technology require new and higher types of education.

Our school deficit is in classrooms and teachers. We are short close to 150,000 classrooms, by conservative standards. Teachers' salaries are so much lower than comparable jobs in society that not enough teachers can be attracted or retained.

Education is traditionally, and properly, a state function. But the states simply do not have the financial resources to meet the growing crisis. Just as we have provided federal grants for land-grant colleges, vocational education, GI education, federally impacted areas, and defense education scholarships - without federal interference - we must now provide federal aid to school construction and to improvements in teachers' salaries.

The AFL-CIO supports the Murray-Metcalf Bill (H.R. 22, S. 2) as approved by the House Education and Labor committee and awaits action by the Rules Committee. It would provide \$25 for each school-age child to each state for a period of four years, the money to be used by each state for either school construction or teacher salaries. It would cost only about \$1 billion a year—onefifth of one percent of our annual national product!

Awaiting Senate action is the McNamara bill, reported by the Education subcommittee, which authorizes \$1 billion in grants for school construction over a two-year period.

7. Decent Homes For All

"America has the skilled manpower, the materials and equipment and the financial resources to assure every family the opportunity to obtain a decent home. All that is required to achieve this goal is a forwardlooking, imaginative housing program."

AFL-CIO Convention Resolution, 1959

Fifteen million American families—one out of every four—are still ill-housed. In order to eliminate this evil during the next 15 years, and to keep up with our rapidly growing population, it will be necessary to build 35 million new housing units, or about 2,250,000 a year. But today's rate is about a million less than this.

During each of the last few years, inadequate housing bills have been enacted—due largely to the opposition of the Administration to basic improvements in the program.

In 1960, the AFL-CIO calls upon the Congress to enact a comprehensive housing bill which will do at least the following:

- Provide at least 200,000 low-cost public housing units annually.
- Make available low-interest, long-term loans for middle-income housing.
- Tackle the problem of special housing for the elderly, not just a token gesture.
- Assure every family an equal opportunity to obtain decent housing without regard to race, color, or creed.
- Provide at least \$1 billion a year for ten years for expanded slum clearance and urban redevelopment programs.
- Encourage co-operative and moderate-priced rental housing, especially for migrant farm workers.

3. Promote Economic Growth

"Six years of almost stagnant conditions have cost America dearly in tens of billions of dollars of lost output, income and tax revenue. Opportunities to strengthen America, to improve deteriorating public services and to attain more adequate national defense, including protection for the civilian population, have been disastrously delayed."

AFL-CIO Convention Resolution, 1959

The elimination of poverty and insecurity in America, a rising standard of living for all Americans, our national security all depend upon keeping our economy operating at its full potential. We cannot be smug about having achieved a \$500 billion economy. This should have been reached years ago.

The Administration has followed a policy of tight money and high interest rates during most of the period since the spring of 1953. Only during the worst months of the recessions of 1954 and 1957-1958 was the tight-money policy temporarily

lifted.

This policy has contributed to two recessions, rising so-called "normal" unemployment and a shocking slow-down of economic growth in the past six years. The growth of total national output has been cut down dangerously from an average yearly rate of 4.6 percent in 1947-1953 to an average yearly pace of merely 2½ percent in 1953-1959.

The federal government should halt its restrictive tight-money policy, and instead, encourage economic growth to provide full employment and maximum use of America's factories, machines and productive ability. The goal of national economic policy should be balanced economic growth of 5 percent a year and full employment.

The Congress can do a number of things to correct the situation. It can put a brake on rising interest rates by repulsing the Administration's request for lifting the long-term U.S. bond interest rate above 4½ percent. It can reorganize the Federal Reserve Board to provide for adequate representation of consumer, small business, and labor interests on its governing and advisory bodies. It can express its will that monetary policy be made to conform with the requirements of the Employment Act of 1946 for policies to assure "maximum employment, production and purchasing power."

9. Protect Labor Standards

"Prevailing minimum wage determinations have been made for too few industries, determination proceedings have been allowed to become bogged down in undue delay and cumbersome procedures, the determinations have been set unreasonably low and have not been made effective on a timely basis, and updating procedures have been utterly inadequate."

AFL-CIO Convention Resolution, 1959

The welfare of all Americans is furthered by gains made through collective bargaining. In protecting the wages and other benefits gained by union workers, the whole wage structure of our society is strengthened. For many years now it has been considered a matter of national policy that government expenditures should not be used to undermine labor's gains. The Davis-Bacon and the Public Contracts (Walsh-Healey) Acts were enacted for this purpose.

Laws can be useful only if they are kept up to date and they are properly enforced. Neither of these two protective laws meet these tests today. Action is needed.

The Davis-Bacon Act, which affects public construction, needs to be amended to broaden its coverage to all non-farm construction where at least one-third involves some type of federal financing, or which is financed with federal insurance or loan guarantees. Moreover, contractors should be required to honor prevailing fringe benefits as well as wages. Increased enforcement authority should be given the Secretary of Labor.

The Walsh-Healey Act should be amended to eliminate undue delays and legal entanglement in minimum wage determination procedures, to require adherence to fringe benefit standards, and to require at least biennial wage reviews.

10. Overhaul Tax System

"Low and moderate income families, particularly wage earners, are carrying an unduly large share of the tax burden. Only a drastic revision of the federal tax laws can remedy this situation."

AFL-C10 Convention Resolution, 1959

In theory our tax system is based on the principle of "ability to pay." This principle has been eroded over the years by a combination of low personal exemptions, a steep rate of taxation in the first bracket, the operation of the withholding system, and the many tax escape provisions that favor the rich.

Individual exemptions have been \$600 since 1948, even though the cost of living has increased more than 20 percent since then. The very first taxable dollar is at the 20 percent rate. The withholding system assures payment of every dollar of workers' income, while other groups have no such automatic control. Moreover, workers pay taxes even on that part of their income which goes to pay for Social Security, Railroad Retirement and Civil Service Retirement.

On the other hand, upper income groups are favored with tax favors such as preferential income for dividend income and capital gains income, excessive depletion allowances, liberal expense account privileges, "get-rich-quick" system of granting stock options, split income provisions, and other escapes from taxation.

The AFL-CIO calls for a major overhaul in the federal tax system which would include a substantial increase in the \$600 exemption, the closing of the many loopholes now enjoyed by the upper income groups, eliminating tax burdens of workers on contributions to public retirement funds, reducing or eliminating the unprogressive excise taxes, and helping the states adopt progressive tax systems.

11. Develop America's Resources

"America faces an unprecedented and rapidly multiplying demand upon her great but not unlimited stockpile of natural resources. Every nation in the world is confronted, as America is, with the challenge of how to make resources work for people. How adequately it is met by America and the people of other countries will determine in great measure our future security and welfare."

AFL-CIO Convention Resolution, 1959

The welfare of all Americans — and of our friends abroad — depends upon intelligent and far-sighted development of our natural resources, and of new sources of power.

Bold steps must be taken without further delay to move the nation's atomic power program rapidly toward the production of power at costs competitive with other sources. A full-scale federal demonstration nuclear power program is the necessary first step. AFL-CIO will urge authorizing legislation for such a program.

Last year, the Congress took a backward step when it gave the states regulation authority with respect to health and safety programs in nuclear operations. Labor will work for changes in the law which would establish nationwide uniform standards for safeguarding workers exposed to radiation as the only reliable system of protection.

Both houses of Congress last year passed bills to aid communities in the construction or modernization of sewage disposal facilities to solve the dangerous threat of water pollution. AFL-CIO supports conference acceptance of the House version of H.R. 3610 and urges the President to sign it into law.

Labor supports the Senate version of the San Luis Bill which protects the historic 160 acre limitation on federal reclamation projects. It also supports the Bonneville Corporation Act, which like the TVA self-financing act would empower the corporation to float bonds for financing expansion.

12. Protect Family Farmer

"Although the technological revolution in agriculture now makes a vast increase in farm output possible, we have neither found a way to utilize this great blessing so that more of the needy at home and overseas can be better fed, nor do we provide a fair return to those whose work produces it."

AFL-CIO Convention Resolution, 1959

In many ways the AFL-CIO seeks the enactment of legislation that will help secure a just return and a better life for Americans who work in agriculture. The time has come to change the emphasis from help to the large corporate farms to help for the family farmer and the farm laborer, with special emphasis on problems of the migratory workers.

The AFL-CIO urges that price supports be based wherever possible on production payments aimed at the support of the family farm and lower prices to consumers. A reasonable ceiling should be placed on help for any one farm.

To help the whole farm economy—while relieving suffering both at home and abroad—we support programs which will bring more of our abundant food and fiber to the aid of the unemployed and other needy Americans, the expansion of our school lunch program, and more extensive use of our agricultural surpluses in the battle for peace and freedom overseas.

Our major item of unfinished business is bringing a measure of economic security to the wage earners in agriculture. Their exploitation is a continuing scandal that is unjustifiable on economic, social and moral grounds. Labor supports giving farm workers protection of the Labor-Management Relations Act, minimum wages, unemployment insurance and every other help possible. They have been neglected orphans long enough. Farm labor contractors operating across state lines and those importing workers from outside the United States should be subject to adequate federal supervision.

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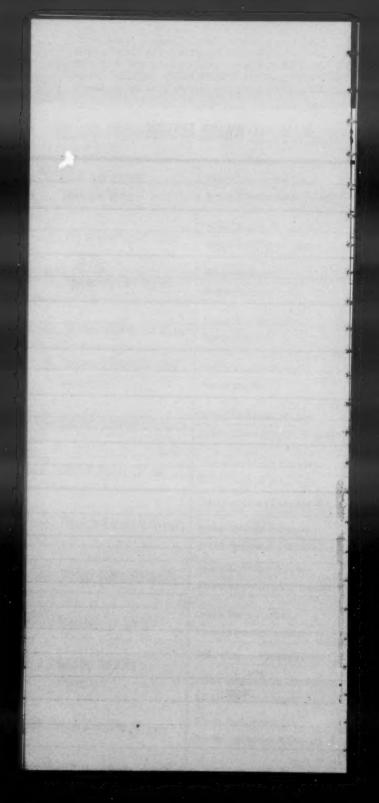
COMMITTEES IN CONGRESS

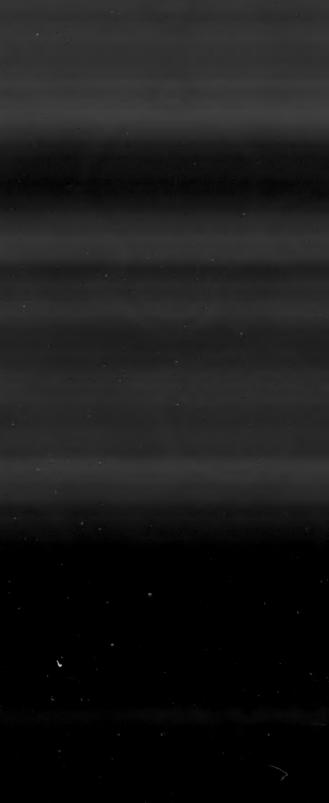
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2. Aid to Depressed Areas	House Banking & Currency
	Senate Banking & Currency
3. Guarantee Civil Rights	House Judiciary
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4. Health Benefits for Aged	House Ways & Means
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5. Improved Unemployment Insurance	House Ways & Means
	Senate Finance
ිං Support America's Schools	House Education & Labor
	Senate Labor & Public Welfare
7. Decent Homes for All	House Banking & Currency
	Senate Banking & Currency
8. Promote Economic Growth	Joint Comm. on Economic Report
	and House Banking & Currency
	Senate Banking & Currency
9. Protect Labor Standards	
	House Education & Labor Senate Labor & Public Welfare
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O. Overhaul Tax System	House Ways & Means
	Senate Finance Committee
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	and House Interior & Insular Affairs
	Senate Interior & Insular Affairs
2. Protect Family Farmers	House Agriculture
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Keep your own record here of progress in the enactment of AFL-CIO's POSITIVE PROGRAM FOR AMERICA. From time to time, the AFL-CIO NEWS and the LEGISLATIVE ACTION BULLETIN will bring you developments on the issues.

MAJOR ACTIONS

MAJOR ACTIONS	







LIBRARY

REPVE

UNION

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COMMITTEE MEMBERS

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Mrs. Mary Backer, Branch 13, Enoch Pratt Free Library, Balti-

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American Pederation of Labor and Congress of Industrial Organizations 815 16th St., N. W. Washington 6, D. C. GEORGE MEANY, President WM. P. SCHNITZLER, Secretary-Treasurer AFL-CIO PUBLICATION NO. 105

For additional copies, write to the AFL-CIO Education Dept. Printed in U. S. A.

Your local public library can be a useful aid in many of your union's activities, be it bargaining for a contract, putting on an education program or finding out about national and state issues.

The first article in this pamphlet appeared in June 1957 issue of "Education News and Views." The other two articles appeared in the April 1959 issue.

* * *

If you're like many other AFL-CIO local union leaders, you haven't been in your town library in years.

You say: "I'm too tied up with union business. I don't

have any time to read books."

That's a mistake. You may not have much time to read. But there's a lot more to the modern-day library than books. In fact, chances are your town library can be more help to you in developing a good local union program than any other community agency. Besides, as citizens and taxpayers, you and your members are paying for the library's services. So you might as well get something for your money, as John R. Bunch did.

John is vice-president of an AFL-CIO local in Dalton, Ga. He hadn't been in the Dalton library for ten years when his international union's education department sent an instructor to conduct steward training classes in his

local.

Before coming to Dalton from the international's headquarters in New York, the instructor corresponded with the Dalton librarian. He discovered that the library had a 16 mm moving picture projector.

Since the instructor wanted to show the film Shop



Steward in one of his classes, this saved him from toting a heavy projector 900 miles to Dalton.

While there, the instructor talked with John about how to get films shown. Now, that local often features films at membership meetings with the projector loaned free of charge by the library.

John gets most of the films he uses from the AFL-CIO Education Department. But he also gets some free from

the library on non-union subjects of interest to his members. John's is a small local union. It could never afford to buy its own projector (they cost upwards of \$250). But his local now increases meeting attendance by showing films—thanks to the film service of the library.

Very likely you can do the same thing. Many libraries throughout the country have projectors which they lend free to groups in the community. Many more have films

and information about where to get films.

In addition to film services, there are many other ways your library can help you build a better local union. One very important way is to help you find speakers from other community groups who will liven up your meetings.

Advice on Reading Materials

Another important way is to help you improve your leadership ability. Even very small libraries have books on leadership which will help improve your skill in persuading people and inspiring others to get active in the union.

Many libraries have staff members specially trained to serve as advisers on what to read. These people can help you select books on any subject you're interested in. They can prepare lists of suggested readings for classes and

conferences.

Some libraries also sponsor discussion groups which meet regularly and discuss major social issues. This is a good opportunity to meet other community leaders under relaxed conditions and develop your understanding of the world in which the union operates. It's also a good opportunity to improve your speaking ability.

In connection with discussion groups sponsored jointly by the library and the American Heritage Foundation or the Fund for Adult Education, libraries sometimes run courses in how to lead a discussion—a skill which will greatly improve your ability as a local union leader.

In some cases, depending on the size of the library, the librarian can make up special collections of books for display at the local union hall during education programs and other activities. Most librarians would also be glad





to come to the class or to a meeting to talk about what

the library has to offer.

Some libraries can even leave a collection of books in the union hall for some time so that it may be conveniently used by your officers and members. Such a collection might include all sorts of books, from mysteries to special volumes on automation, electronics, politics and international affairs as well as on labor.

Many rural libraries have bookmobiles which can visit your plant during lunch periods and at shift changes.

You might also think about setting up union exhibits

at the library. A display of contracts and other union material would be a good thing around Labor Day.

If you have a local union newspaper, you often wonder where you're going to get stories to help educate your membership. Your librarian can help in this. He (or, more likely, she) might write reviews of new labor books or books on other subjects for your newspaper. Or give you news of activities centered in the library that might interest your members and their families, such as children's story hours and teen-age record concerts.

Contract and Bargaining Data Available

Next time you are getting ready to bargain with your company, check the library for information about other industries in your area. The library should already have (or can get) copies of contracts between those companies and their unions as well as information on the cost of

living and other economic data.

If you're interested in developing a program for retired members, consult your international union and your local librarian. That librarian can often help with books and pamphlets as well as information on community facilities which can help the retired member. The library might be willing to set up a program for retired persons in which the union can participate with other community groups.

AFL-CIO is represented on the special Library Service to Labor Committee of the American Library Association. This committee tries to get librarians interested in serving the labor movement just as they already serve business and professional groups. The AFL-CIO members of

the committee also try to get the labor movement itself to make more use of library facilities.

Surprisingly enough, librarians frequently complain to the AFL-CIO representatives that labor people do not

make use of the libraries.

If you've read this far, you no longer have an excuse for not visiting your library to see if it can help you build a stronger union.

Here's how to do it: Visit the main library building to see how it's set up. Look for departments especially organized to deal with labor on related subjects, such as

social sciences, economics and civics.

Check whether the library has a special newspaper or periodical room, films, records, an auditorium or smaller meeting rooms. If you don't see these things, ask at the desk.

Ask for Union Publications

Find out whether there are branches near your union hall or in neighborhoods where your membership is concentrated. Ask about extension services and bookmobiles. Find out who is in charge of these services.

Librarians want to help you. But they must know what you want. Create demand by asking for labor papers, magazines and other labor publications, such as the AFL-CIO newsletters Collective Bargaining Report, Economic Review, and books on labor. For some specific items see AFL-CIO Education News and Views which lists each month new publications by labor and of interest to labor. You can get on the mailing list for this publication by writing on union stationery to the Education Department of the AFL-CIO.

Also ask the librarian if she has the quarterly newsletter published by the American Library Association Committee mentioned above. That newsletter is designed to help promote library services to labor.

Next time you are planning a meeting get in touch with the librarian. Tell her what you are planning to do and ask for an appointment to plan ways of cooperating. If you are beginning an education program, try to get the librarian to lend you some books and pamphlets on the subject being discussed. Invite her to one of the classes to talk about the library.

And, if you think we can help you in any way, write to the AFL-CIO Education Department or to the Chairman, Joint Committee on Library Service to Labor Groups, American Library Association, 50 East Huron St., Chicago 11, Ill.



How Five Libraries Prepared Labor Day Exhibits

Labor-library projects were little more than an idea not too many years ago with only a few libraries having services for workers. This presented a mutual challenge to librarian and trade unionists which led to the founding of the Joint Committee on Library Service to Labor Groups. Composed of representatives of the American Library Association and the AFL-CIO closer cooperation between labor groups and libraries was encouraged.

As a result of this cooperation, successful projects have been undertaken to add labor shelves to public libraries, to have librarians invited to union meetings to explain their facilities, to bring bookmobiles to factories, to have library books in union halls and for library displays at union educational activities.

A new dimension is being added to rewarding laborlibrary endeavors in the form of labor displays at public libraries. Outlined here are the various Labor Day exhibits that were viewed by thousands in Cincinnati, Ohio; Detroit, Mich.; Trenton, N. J.; Washington, D. C.; and Massapequa, N. Y.

In Cincinnati a display "Your Neighbor on the Job" was made to honor the 75th anniversary of Labor

¹ Significant pioneer work in this field was done by the Milwaukee, Akron, New York, Chicago and Newark Public Libraries. Individual librarians sympathetic to labor took the lead in making union leaders more aware of library services which would be helpful to the labor movement.

Day. With photographs of workers in 12 representative labor unions on their jobs and prepared short histories of unions which accompanied the photographs, a graphic display was provided for the library windows, which was well received by the public.

From labor's point of view it showed how unions could work with a library on a common community project. For the librarians it provided an important venture in community relations.

The Detroit Public Library labor exhibit was centered on the theme "75 Years of American Labor." Various aspects of labor history, legislation, equality of opportunity, union label promotion, the labor press, organizing the unorganized and the necessity for cooperation in solving social problems were highlighted.²

The first Labor Day exhibit at the Massapequa Public Library included an assortment of pamphlets, books and a structure chart of the AFL-CIO. Pamphlets supplied by the AFL-CIO Department of Education were available in quantity for those who wished to take them. In addition, a list of books for suggested reading accompanied the displays.

The librarian reported that more than two months after Labor Day the exhibit held much interest for the library patrons. The books on the reading list were still circulating and several people were being referred to local labor organizations for further information they sought.

² For a more complete description of the Detroit program see, "Detroit Public Library Prepares Exhibit on History of American Labor," July-August, 1958, Education News and Views.

"Labor Day USA" was the theme of the exhibit which attracted much interest at the Trenton Public Library.

Books, labor newspapers, pamphlets and an original oil painting by a steelworker were featured. A display window titled "Labor-Mangement Accord Means Prosperity" explained the grievance procedure in labor agreements.

A third display contained photos of American workers and the various types of safety equipment used by elec-

trical workers on high tension lines.

In Washington, D. C., the Main Library and two branch libraries of the Public Library system carried exhibits for the entire month of September featuring "Labor

Through the Years."

Many individuals and labor organizations combined their efforts in making the displays interesting and representative. Convention badges, union buttons, documents, pictures, labor publications along with material from Community Services and Union Label all contributed to the outstanding displays.

In addition, John Baer, famed labor cartoonist, added some of his cartoons to the displays and the AFL-CIO Education Department supplied the pamphlets for distri-

bution to those who wished to take them.

All these successful labor-library projects were the result of the planning, skills, knowledge and hard work of many people. This factual account of five labor exhibits cannot remotely indicate the good effect they had on the many who viewed them.

Baltimore Library Helps Students on Labor Scholarship Contest

The author of this article, Mary Askew Backer of the Enoch Pratt Free Library in Baltimore, describes how a neighborhood public library can give concrete help to high school students when they are competing for a labor scholarship or debating the topic, "Right-to-Work."

In 1955, 1956 and 1957, a scholarship was offered by the Baltimore Federation of Labor to each of four high schools in the city of Baltimore: Southern, Patterson Park, Douglas and Dunbar. The parents of many of the pupils of these schools are members of labor organizations, so it seemed especially appropriate that these schools should be chosen for the scholarship awards. Being among the newer schools in the city, these had fewer scholarships to offer to their graduates than those with histories dating back more than one hundred years and long established alumni organizations.

To publicize the contest, a poster announcing the prize offer was placed on the bulletin board and an announcement was made in the classroom. It was brought to the attention of some pupils to whom it might be of special interest by the counselor. It was emphasized by teachers in the social science departments of the high schools.

Those who were interested were told how they could get the packets consisting of materials offered to contestants by the Baltimore Federation of Labor: contest rules, sample test questions, some pamphlets on labor, and references for reading. Prizes were as follows:

1st prize-\$400 toward tuition for the first year of

college;

2nd prize-\$100.00 toward tuition or books;

3rd prize-\$50.00 toward tuition or books (several of

these were offered).

In accordance with school policy relating to all prize contests, no time was devoted to preparation for the contest in the classroom. One of the units, however, for the 11th and 12th grade classes in American History deals with Labor-Management Relations since 1870, another deals with Labor Problems while still another with Labor





History. The abler students are given assignments for additional reading and receive extra credit. Twelfth grade classes who take Modern Problems may also take work on Labor-Management Relations. Consequently, many students had some basic information in the field.

The school librarian was given the list of references suggested by the sponsors of the contest and was asked to set those materials aside. The head of the Social Science Department in one of the schools had twenty copies of Labor in America by Faulkner and Starr which he lent as long as they lasted to those who were trying for the scholarship. Some teachers had pamphlets to lend.

A poster had been sent to the public libraries near the schools concerned as soon as the contest was to be announced. At Patterson Park Branch of Enoch Pratt Free Library, the poster was made the center of a display of materials on labor: books, periodicals, pamphlets, those items listed in the bibliography, and many more. The bibliography supplied by the Federation gave the following titles:

U. S. Bureau of Labor Statistics: A Brief History of the American Labor Movement Starr, Mark: Labor and the American Way Faulkner and Starr: Labor in America

Peterson, Florence: American Labor Unions: What They Are and How They Work

Austin, Aleine: The Labor Story Barbash, Jack: Labor Unions in Action

While the contest was under way, all copies of Labor in America, American Labor Unions, What They Are and How They Work and The Labor Story were in constant use. In addition, the contestants delved into other books relating to labor topics. Numerous pamphlets were eagerly examined.

The planning committee was composed of the following members:

- A representative from a sub-committee of the Education Committee of the Baltimore AFL.
- 2. A representative from the Baltimore Teachers' Union.
- Three members named by the Baltimore Department of Education.

In preparing the test, the committee examined and compared materials issued for similar programs in other states. The examination was held the last week of April. It consisted of two parts:

(a) A list of 50 questions connected with labor in all its phases.

(b) An essay of approximately 300 words on a topic connected with labor, written at the time of the

test.

The School Board permitted the test to be held in school buildings and the proctors were teachers. Papers were graded, not by the teaching staff, but by a special committee outside of the school. The judges for the contest were as follows: a clergyman, a labor leader, a college professor in the field and a member of the State Department of Education.

High School Debates

On the National Debate topic the library receives no advance announcements, and becomes aware of it only as young people begin to ask for material. In this city, public high schools do not participate. To obtain information for this article, letters were sent to the parochial schools that have debating teams. The high schools replying stated that it was the custom for the high schools to use the topic chosen by the colleges the previous year. Of the high schools replying to my inquiry, one plans

to use for 1958-59, the topic:

"Should Membership in a Labor Union be Required

of All Workers?"

This topic is developed in a booklet published by the Mid-West Debate Bureau at Normal, Illinois under the heading:

"Resolved: That the Requirement of Membership in a Labor Organization as a Condition of Employment Should

Be Illegal."

In the section on the "Strategy of Debate" sixteen pages are devoted to bibliography and forty-six pages each to the affirmative and negative files.

Periodicals listed were: The Monthly Labor Review, The Congressional Record, Trainman News, U. S. News and World Report, The Commonweal, Vital Speeches.

Scholastic and the Christian Century.

There is an affirmative brief, a negative brief and a brief biography file of the authorities used as references. In addition there is a detailed analysis of the question, a history of the closed shop movement, powers of the states in labor relations, union efforts to secure new mem-

bers and a brief history of the labor movement.

These contests are of inestimable value. Those who debate become much better informed on labor questions than the average student. They will be more alert to issues relating to organized labor and will read with more care newspaper and magazine articles to discover their true significance. Those who participate in the Labor Award Contest prepare with even more diligence. The awards are of major importance to many young people who might not be able to afford a college education without financial assistance.

In addition, a large number of those who participate in both the debate and award contests will become the responsible, decision-making citizens of tomorrow. Because of their reading and study, they have become acquainted with the history of organized labor and will be inclined to view with sympathy and fairness the problems Labor faces today and in the imminent future.

Librarians will find cooperation with these two edu-

cation programs a rewarding experience.





Union Political Activity Spans 230 Years Of U.S. History

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS



American labor went into politics as early as the 1730s. A political organization known as the "Caucus," composed mostly of shipyard workers but also including other artisans and shopkeepers, won for a time a firm grip on the town offices in Boston. Severe tightening of the currency during the 1740s, which lowered the income of Boston's workingmen, caused the Caucus to expand its horizons. An alliance of the Caucus and a party of debtor farmers secured control of the Massachusetts General Court, and established a land bank to provide relief through the issuance of paper money backed by real estate. The bank was later destroyed by the Board of Trade.

This early incident in a sense epitomizes the need for labor to participate in political affairs. To protect his wages and his pocketbook, the worker must do more than bargain with his employer. He must join together with other wage earners to secure a favorable political climate for advancing his economic interests.

This article is based on a brief filed by the AFL-CIO in a case before the U.S. Supreme Court involving the use, of union dues paid under a union shop contract for political and legislative activities. The case is on appeal from the Supreme Court of the State of Georgia, which held that a union shop agreement under the Railway Labor Act is illegal if dues are used for such expenditures. The brief was prepared by the office of the AFL-CIO General Counsel, I. Albert Woll.

At times, especially in periods of business depression, this may mean securing direct government intervention. At all times the worker must realize that other powerful groups will also be seeking through organized political action to further their interests in opposition to his. This, too, the members of the Caucus found out.

In the middle of the Eighteenth Century political groups designed to protect civil liberties and to further the workers' demands for political equality with the privileged class sprang up in New York, Philadelphia, Baltimore, and other coastal towns. These groups were generally led by liberal-minded lawyers and merchants but the main body consisted of workingmen.

Such organizations provided impetus for the subsequent formation of the various Sons of Liberty groups, which during the late '60s played a major role in demonstrations against the Stamp Act, the Townshend Act, and other British measures viewed by the colonists as a threat to their economy and their liberty. For our purposes it is not necessary to trace in detail how workingmen helped counter the more conciliatory attitude of the merchants and landed gentry toward the repressive political measures of the British Parliament, thus paving the way for the Revolution.

President Woodrow Wilson, Samuel Gompers and Secretary of Labor William B. Wilson (left to right) in Washington in 1916.

Though numerous local labor organizations were formed to bargain with employers over wage seales and working rules, labor played an insignificant role in politics between the Revolutionary War and the late 1820s. But in May 1828 the Workingmen's Labor Party of Philadelphia became the first labor party in the modern world.

This was an outgrowth of the Philadelphia Mechanics' Union of Trade Associations which had been formed the previous year as a result of a strike of building trades mechanics for a 10-hour day. When nothing but failure greeted economic action, the demand for the 10-hour day took the form of a public employment plank in the political platform of the Workingmen's Party.

In 1829 New York workers formed a Workingmen's Party to protect the 10-hour day they had previously obtained. Compounded of Skidmore agrarianism and other elements, the New York workers' parties registered broad protests against economic exploitation as well as against degraded citizenship, strongly condemning the greater consideration given in legislation to the rich than to the poor.

Between 1831 and 1834 there existed in New England a new type of labor organization, partly political and partly economic, the New England Associary of 1916.



tion of Farmers, Mechanics and Other Workmen. Emerging out of the 10-hour movement, the organization soon broadened its objectives. Public education, especially of children in the factories, was assigned an importance equal to that of hours of labor.

All these workers' parties had short lives. But their efforts were not unavailing. Indeed, one of the principal reasons for their decline was that other established political parties took up the causes that they had most vigorously espoused. To these early political efforts by organized workingmen has been attributed a large share of the credit for the establishment of the public school system, the initiation of currency reforms, the abolition of imprisonment for debt, the passage of mechanics' lien laws, and the removal from unions of the stigma of criminal conspiracy.

In the mid-Nineteenth Century one of organized labor's primary aims was the establishment of the 10-hour day. Two distinct lines of attack were followed: the first consisting of legislative appeals, and the second of trade union action. During the 1840s the first was most utilized; direct trade union demands upon employers for the 10-hour day did not become prominent until the '50s. As a result of numerous insistent petitions to the legislatures from labor groups and their sympathizers, various kinds of 10-hour laws were passed in New Hampshire, Pennsylvania, Ohio, Rhode Island, California, and Georgia.

The phenomenal industrial expansion of the United States in the second half of the Nineteenth Century made it increasingly clear that "labor had to meet the challenge of nationwide industry by itself organizing on a nationwide basis." In 1866 delegates from various local unions, trades assemblies, and national unions met in Baltimore and organized the National Labor Union. Legislative action to secure the 8-hour day was the principal aim of the NLU. Currency reform was also assigned high priority.

Throughout its six-year existence, the NLU was continually engaged in lobbying activities before Congress and state legislatures for an 8-hour law. In 1868 Congress passed an 8-hour law for government employes and a law prohibiting further contraction of the currency, thus answering to a considerable extent the demands of the NLU. Eight-hour legislation was also passed in six states, but its value proved illusory.

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After the great strikes of July 1877, in which workingmen found themselves confronted by hostile state and federal troops, numerous workingmen's political parties appeared in all the industrial centers of the nation. A Greenback-Labor Party was formed with a platform advocating currency reforms, shorter hours, national and state bureaus of labor statistics, prohibition of convict labor, and the suspension of the importation of servile labor.

The aggregate Greenback-Labor vote in 1878 exceeded a million, and 14 candidates were elected to Congress. Independent political action by labor nearly succeeded in electing Henry George in the New York City mayoralty election of 1886; more significantly, the strong showing made by the labor forces resulted in the state legislature's passing a considerable number of protective labor laws.

In 1881 a hundred representatives of national and local unions and regional and local assemblies

formed the Federation of Organized Trades and Labor Unions of the United States and Canada. This was the forerunner of the American Federation of Labor, which formally came into existence in 1886. The 1881 conference drew up a 13-point legislative program.

Almost from the outset the American Federation of Labor adopted the pattern of non-partisan political action championed by its president, Samuel Gompers. But this meant only that the federation would not establish an independent party or ally itself with any political party. The AFL continued to seek the election of persons sympathetic to its needs and to press for legislation favorable to the worker.

At the convention of 1893 the federation adopted a political platform containing 11 planks. Among other things the program called for compulsory education, a legal 8-hour day, government inspection of mines and workshops, employer liability for injuries on the job, and the abolition of the sweating system.

The efforts of the AFL, together with the efforts of the Knights of Labor, the Populists, and various reform groups, were responsible for a substantial body of state labor legislation, which was enacted between 1886 and 1900. This dealt primarily with labor arbitration, child labor and women's labor, factory and mine safety, responsibility for industrial accidents, and the 8-hour day.

The historical survey and analysis of the political and hydralities activities at American labor contained in the helef their by the APL-CIO is drown from a series of authorities solutions on the locatory of American labor test to political activities. For these who desire to read further to this area than a political activities.

Bullo and Kerr, "Onlone, Management and the Public,"

Conquest and Accounted Theory of Labor Transport and Proposity (Eaker Profile of Attention Seeker)

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Almost from the outset the American Federation of Labor adopted the pattern of non-partisan political action championed by its president, Samuel Gompers. But this meant only that the federation would not establish an independent party or ally itself with any political party. The AFL continued to seek the election of persons sympathetic to its needs and to press for legislation favorable to the worker.

At the convention of 1893 the federation adopted a political platform containing 11 planks. Among other things the program called for compulsory education, a legal 8-hour day, government inspection of mines and workshops, employer liability for injuries on the job, and the abolition of the sweating system.

The efforts of the AFL, together with the efforts of the Knights of Labor, the Populists, and various reform groups, were responsible for a substantial body of state labor legislation, which was enacted between 1886 and 1900. This dealt primarily with labor arbitration, child labor and women's labor, factory and mine safety, responsibility for industrial accidents, and the 8-hour day.

The historical survey and analysis of the political and legislative activities of American labor contained in the brief filed by the AFL-CIO is drawn from a series of authoritative volumes on the history of American labor and its political activities. For those who desire to read further in this area these are the volumes:

Bakke and Kerr, "Unions, Management and the Public"

Commons and Associates, "History of Labor"
Daugherty and Parrish, "Labor Problems of
American Society"

Derber and Young, "Labor and the New Deal"

Frankfurter and Greene, "The Labor Injunction" Greeory, "Labor and the Law"

Hardman and Neufeld, "The House of Labor" Karson, "American Labor Unions and Politica" Lester, "As Unions Mature"

Millis and Montgomery, "Organized Labor" Overacker, "Presidential Campaign Funds" Perlman and Taft, "History of Labor"

Rayback, "American Labor"

Reynolds, "Labor Economics and Labor Relations"

Schlesinger, "The Coming of the New Deal"
Taft, "The A.F. of L. from the Death of Gompers to the Merger"

Talt, "The A.F. of L. in the Time of Gompen."

Unionism was flourishing at the turn of the century. Then abruptly the tide changed. Between 1902 and 1905 various employer groups launched a many-pronged "mass offensive" against the unions, proposing "to obliterate the whole concept of an organized labor movement from the pattern of American life." Stiffening of attitudes at the bargaining table and a nation-wide campaign for the "open shop" were only the beginning.

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The press and the academic world were systematically enlisted to convince the public that "the enormous Labor Trust is the heaviest oppressor of the independent workingman;" yet this appeal in the name of labor's rights only "thinly disguised an all-out drive against both union recognition and collective bargaining."

Spearheading the attack was the National Association of Manufacturers. In 1902 the NAM caused the defeat of labor-supported 8-hour and anti-injunction bills before Congress. And in the 1904 elections the NAM scored signal successes in its efforts "to cut off labor's influence at the source by defeating congressmen and senators favorable to labor." As a final blow, the unions about this time suffered a series of crippling reverses in the courts, through the application of injunctions and the anti-trust laws.

In 1906 the AFL responded to the onslaught by presenting a "Bill of Grievances" to Congress and the President, protesting against the failure to enact an effective 8-hour law, the abuse of the injunction, and

the perversion of anti-trust laws. Obtaining no satisfaction, the federation then took more direct steps and campaigned actively to defeat labor's enemies in the elections of 1906, 1908, 1910, and 1912.

These efforts bore fruit. In 1914 Congress passed the Clayton Act and supplied unions with a measure of relief against labor injunctions and the antitrust laws. A year later the AFL gained one of its long-sought objectives, a federal law granting rights and protection to seamen on vessels of American registry. And during the pre-war heyday of the progressive movement organized labor successfully supported the enactment of a vast quantity of state labor legislation.

The pendulum once more swung against labor in the decade after the first World War. Strike after



strike collapsed because, it was said, "the power of public opinion had strongly and definitely crystallized in favor of federal, state and local police intervention in support of the employers and against the workers."

Organized labor's most conspicuous political move during this period was its vigorous support of the independent candidacy of Robert La Follette in the presidential election of 1924. The movement polled nearly 5 million votes, and had a significant byproduct: in 1926 the Congress elected in the La Follette campaign enacted the Railway Labor Act.

The depression which swept the country in the wake of the stock-market crash of 1929 was almost immediately reflected in the elections of 1930. The new Congress, much concerned with labor welfare, studied dozens of bills for public works programs, for maximum work-hours, and for other means of federal relief. In 1932 labor's 40-year campaign against the indiscriminate use of the labor injunction was crowned with success through the passage of the Norris-La Guardia Act.

But the spectacular renascence of American unionism was to await the coming of the New Deal. The AFL officially maintained neutrality in the 1932 presidential campaign; however, there is no doubt that the labor vote contributed significantly to the victory of the new movement.

The most important single expression of the prolabor policy generally pursued under the New Deal ing tive for stro Gre Cha Ma

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Polipar a s fede stril was the passage in 1935 of the Wagner Act, protecting workers' rights to organize and bargain collectively. The Wagner Act was passed after a measure for safeguarding labor's oganizational rights had been strongly urged upon Congress by President William Green of the AFL and by other union leaders. The Chamber of Commerce, the National Association of Manufacturers, and other industry groups had opposed such a bill.

Labor support of the New Deal during the congressional elections of 1934 also played a role in the passage of the Wagner Act and other favorable legislation. New Deal welfare measures generally supported by organized labor included the Social Security Act and public works programs.

In the 1936 campaign labor groups, especially affiliates of the newly formed Congress of Industrial Organizations, invested a total of \$770,000. The funds were divided among various political committees and organizations, but substantially all went to aid in the re-election of Roosevelt. Labor was continuing its traditional policy of furthering its cause by helping out its friends.

The highly publicized role played by the CIO's Political Action Committee in the 1944 campaign was partially responsible for a thorough investigation by a special Senate committee on expenditures in the federal elections of that year. The findings were a striking refutation of any suggestion of undue union influence. Democratic and Republican organizations

and committees spent a total of \$20,637,177. Labor expenditures were tabulated as follows:

From union contributions to	
CIO-PAC	\$478,498.82
From individual contributions to	
CIO-PAC	470,852.32
National Citizens-PAC	378,424.78
Total PAC	\$1,327,775.92
Other labor groups	252,481.18
Total all labor	\$1,580,257.10

The total labor expenditure of \$1.6 million, including both union dues and individual contributions, thus accounted for only 7.7 percent of the total Republican and Democratic federal expenditures of \$20.6 million.

An even more startling revelation is that in the same 1944 elections, 242 individuals representing 64 family groups made direct contributions to political organizations in the amount of \$1,277,121. This means that expenditures on behalf of many millions of workers only slightly exceeded the contributions made by 64 families.

The immediate postwar years saw a vigorous resumption of collective bargaining. Engrossed in se-

curing wage increases, unions made little effort to secure a large vote in the 1946 congressional elections. Only 33 million voted and labor was dealt its worst defeat since the inauguration of the New Deal. A year later the full dimensions of labor's political setback were revealed by the passage of the Taft-Hartley Act. The new Act followed in large degree the suggestions of the National Association of Manufacturers—which later reported it had spent over \$4 million during 1947 in what appear to be propaganda-connected activities.

The enactment of the Taft-Hartley law spurred the AFL on to renewed political activity, and led to the creation of Labor's League for Political Education. An intensive campaign by the League and the CIO-PAC brought out the labor vote in unprecedented numbers in 1948, assisting in the surprise re-election of President Truman. But labor failed to achieve its primary purpose of repealing the Taft-Hartley Act.

In 1952 the AFL formally endorsed the presidential candidacy of Adlai E. Stevenson. In announcing its support, the federation cited the need to replace the Taft-Hartley Act, to develop a public low-rent housing program, to extend social security, and to establish a health insurance program.

The CIO also endorsed Stevenson in 1952. The endorsement was repeated in 1956 by the newly merged AFL-CIO. Labor generally had found unsatisfactory the record of the Eisenhower Administra-

tion on unemployment, taxes, housing, federal aid to education, and fiscal and monetary measures. Redress once again was sought at the polls.

Political contributions and expenditures relating to the 1956 general election campaigns were subjected to a most comprehensive senatorial study. Tabulations of the findings follow:

Direct Political Expenditures in 1956 Elections

	Amount	Percent
Republican	\$20,685,387	62.3
Democratic	10,977,790	33.1
Labor	941,271	2.8
Miscellaneous	581,277	1.8
Totals	\$33,185,725	100

CONGRESSIONAL RECORD

EXHIBIT 11-1956 CONTRIBUTIONS OF 12 SELECTED FAMILIES

Family	Total	Republican	Democratic	Miscellaneou
du Pont	\$248, 423	\$24R, 623	E SEE	CHARLES I
Field	33, 500	7, 5410	\$23,000	\$21, 64
Ford	36, 899	36, 100		
Harriman	38, 830	34, 330	4,700	**********
Lehman	39, 500	14, (11)	23, 500	. 2,00
Mellon	100, 150	100, 150		
Olin	53, 550	53, 550	**********	*********
1'ew	216,800	216, 800		
Reynolds	49, 609		49, 609	
Rockefeller	152, 664	152, 604		**********
Vanderbilt	ff2, 400	54, 1410	6, 500	1, 1
Whitney	121, 450	121, 450		
Total	1, 153, 735	1, 010, 526	107, 109	6, 1

Individual and Group Contributions of \$500 or More in 1956 Elections

Of Twelve Selected Families to:

Republicans									\$1,040,526
Democrats .									
Other		0	0				0	6	6,100
Total									£1 153 735

Of Officials of 225 Largest Corporations to:

Republ	ican	IS									\$1,816,597
Democ	rats										103,725
Other											

Total \$1,936,847

CONGRESSIONAL RECORD

1, 100

	Remibli-	cratic	Deorra
	2,000		
Ford Motor Co.: Hreech, Ernest, R., Dearborn, Mich Hussaf, John S., Dearborn, Mich David, Donald K., New York, N. Y. Lind, Benson, Dearborn, Mich	1, 000 3, 000 10, 89	9	01 000000000000000000000000000000000000
	(N. 2,50 6,00 1,00	10	
Ford, Benson, John Men. Ford, Henry, H., Dearborn, Mich. Ford, William C., Dearborn, Mich. Gossett, William T., Dearborn, Mich. Moore, O. F., Mr., Dearborn, Mich.	35.3		
Monte		No. of the last	

Of Officials of 13 Professional, Business, and Similar Groups to:

and Similar Groups to.	
Republicans	\$741,189
Democrats	8,000
Other	2,725
Total	\$751,914
Of Labor Groups to:	
Democrats	\$1,074,927
Republicans	
Total	\$1,078,852
Of National and International Unio Officials to:	n
Democrats	\$16,500
Republicans	2,500
Total	\$19,000

CONGRESSIONAL	Republi-	Demo- eratic	Misco
General Electric Co.: Boutware, Lemmel R., New York, N. Y., Colt, S., Shuan, benectady, N. Y. Colt, S., Shuan, benectady, N. Y. David, Bonald K., New York, N. Y. David, Donald K., New York, N. Y. Dickey, Charles D., New York, N. Y. Ford, Henry, H., Detroit, Mich. Humphrey, Gilhert W., Selencetady, N. Y. LaPlerre, Cramer W., New York, N. Y. Love, George H., Pittsburgh, P.S., McCabe, Thomas B., Cay York, N. Y. Steringham, Warde B., Chevy Chase, Md. Weinberg, Skiney J., New York, N. Y. Woodruff, Robert W., Atlanta, Ga.	1, 000 1, 500 1, 500 1, 500 1, 500 1, 500 18, 999 (W 2, 500) 800 8, 200 19, 500 2, 000 1, 000 2, 500 (W 3, 000) 1, 000 6, 450		
Total	62, 349		

As can be seen, the political contributions of a mere dozen families of means exceeded the total direct political expenditures by workers during the 1956 campaign. If labor's direct expenditures are added to its political contributions, the total still barely exceeds \$2 million. This is almost entirely offset just by the contributions of the officials of the 225 largest corporations. And the total labor outlay of \$2 million was merely 6.4 percent of the \$31.7 million spent by the Republican and Democratic parties and their candidates in the 1956 election.

When it is considered that 12 families in the United States are capable of bringing to bear in an election campaign well over half as much money as organized labor, which represents 16 million workingmen and their families, some idea may be grasped of the magnitude of the task faced by workers in presenting their views to the public and in seeking the election of persons sympathetic to their interests.

	Westinghamer Rivering Corp.:	Republic	Demo- oratio	Miscella
	Bitterniages Co. Pilitahneeh De		No. of Lot	
	Penton; Frank R., Pittsburgh, Pa Fort, Torninson, J.	2 300		*******
	Fort, Tornimson, Jr., Pittsburgh, Pa-	1, 800	********	********
	Hearine, C. E., Pittsburgh, Pa	1,000	*********	
DOM:		800	********	
	Hulcheng I A Thiladelphia To	2 600		2000
	Jewell, J. H., Pittsburgh, Pa. Jewell, J. H., Pittsburgh, Pa. Lynde, Lepin P.	1,000	*******	*******
		700	********	*****
	Manual La B. Pittshuppin the Concession	T AND I		- manage
***	Page John F. Pittsburgh Passesses			
***	Patterna William New York, N. V.			
***	Price, Gwilym A., Chicago, Ill.	1.000		-
***	Hoherton A William Herrie, Pa	1 000 F		
	Robinson, William Pattshurgh, Pa			
***	Rowland, William A., Burkeley, Pa.	2, 800	********	******
1000	Schiff Labo No. of Philippine, Pa.	WHO		******
***	Schiff, John M., New York, N. Y.	38 560	*******	********
	Pittshuret P.	WARRE		
	Weaver, C. H., Pittsburgh, Pa.	1.000	-	-
	Total			-

Labor today must attempt to operate while affluent pressure groups with opposing interests expend ever increasing amounts to achieve their purposes through political action. For example, between 1947 and 1950, General Motors gave more than \$4.5 million to tax-exempt propaganda organizations and trade associations. In 1949-1950 the American Medical Association undertook to amass a \$3.5 million "political war chest" in its successful campaign to defeat the Truman medical insurance program, which was favored by organized labor.

In the not unusual year of 1954 over \$2 million of the NAM's budget went for a "public information program." And at all times employers and employerminded groups have an influence over the media of mass communication wholly unmatched by the workingman.

By contrast, during the crucial fiscal year preceding the passage of the labor-opposed Landrum-Griffin bill in 1959, which also covered a period of nation-wide efforts to enact state "right-to-work" laws, the AFL-CIO's Legislative Department and its Committee on Political Education together spent a total of only \$1.15 million.

The preceding historical sketch provides an empirical demonstration that political and legislative activity is an essential part of any realistic effort by workers to improve and maintain their bargaining position, and to secure an atmosphere favorable to

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Se achie much brace hour assig their general economic and social advancement. But we need not rely upon our own interpretation of the data available. A host of disinterested labor economists stand ready to verify this conclusion.

Professor Lloyd G. Reynolds of Yale sums up the matter in this way:

"It is often debated whether unions should 'go into politics'; really, they have no choice in the matter. They are automatically in politics because they exist under a legal and political system which has been generally critical of union activities. The conspiracy suit and the injunction judge have been a problem for unions from earliest times. A minimum of political activity is essential in order that unions may be able to engage in collective bargaining on even terms."

In addition to emphasizing that labor cannot even engage effectively in collective bargaining without a certain amount of political action, Reynolds discusses two other practical reasons for labor political activity. First, certain objectives in which labor has an interest cannot be achieved at all through collective bargaining. These include public education, social insurance of various kinds, adequate housing, and effective anti-depression measures.

Secondly, certain objectives which might be achieved through collective bargaining can be achieved much faster through legislation. This category embraces legislation covering minimum wages, maximum hours, and the elimination of child labor. Reynolds assigns prime responsibility for the progress of social

legislation to the "increasing political awareness of trade unions." At the same time, however, he concludes that the increase in the political influence of organized labor has been offset by a simultaneous increase in lobbying by groups directly opposed to labor. The net result is that the workers' political power "is still not very great vis-a-vis other groups."

Two other scholars, Daugherty of Northwestern and Parrish of Illinois, give as the reason for unionists' interest in politics their recognition of "their inability to cope with anti-union employers on equal terms on the economic field, [and] * * * their inability to protect their members against the vicissitudes of depression," together with their discovery of "what a great difference a favorable government made in their fortunes."

Princeton economist Richard A. Lester even defines a labor union in political terms, stating that it is "a political organization representing the members' job interests and their viewpoints on political and social issues." He emphasizes that unions "perform

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL

815 Sixteenth St., N.W., Washington 6, D. C.

GEORGE MEANY, President WM. F. SCHNITZLER, Secretary-Treasure

Reprinted from the American Federationist May 1960.

educational functions and help to reconcile conflicts of interest," and so serve "a beneficial role in a democratic society."

We submit that there is no constitutional question in this case because there is no governmental action involved in a union's use of its funds for political activities. At the very most we find "questions not of constitutional validity but of policy in a domain of legislation peculiarly open to conflicting views of policy."

If Congress in permitting the union shop in the railroad industry has somehow tinged union political spending with a trace of governmental color, then we say: a wealth of historical and economic data nevertheless establishes that such spending, under the circumstances, is not unreasonable or arbitrary, but rather a means having a real and substantial relation to the economic advancement of the worker via stable collective bargaining.

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AMERICAN FEDERATION OF LABOR CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 Sixteenth Street, N. W., Washington 6, D. C.

GEORGE MEANY President

WM. F. SCHNITZLER

State and Local Central Bodies, AFL-CIO STANTON E. SMITH, Coordinator



MOBILIZE ALL OUR RESOURCES

"The all-out attacks to which the labor movement is being subjected call for full mobilization of all our resources to combat these attacks and . . . to achieve labor's program for the welfare of America

and the free world.

"... we need to give greater attention to the role of the state and local central bodies. We are prone to forget that the central labor councils are the essential links which bind the labor movement together in the states and local communities, and make it a social as well as an economic force.

"Increased emphasis on political education and legislation has served to point up the important and essential role of these branches of the AFL-CIO. They are the logical structure on which to build an effective, coordinated COPE program and in turn to secure grass-roots support for legislation. These bodies must carry the chief burden of state and local legislation. Where there are effective, well-organized central bodies, their support of national legislation is invaluable.

"The central bodies—both state and local—also serve, or should serve, vital and important functions in the fields of public relations, community services, labor education, promotion of the union label, organizing and the mobilization of mutual aid in labor disputes. These have been their historic functions since the earliest days of the labor movement in America. However, they cannot do the job expected of them without the greatest degree of support from the local unions in their respective jurisdictions."

LEGISLATION



The people's will must be reflected in the laws enacted by the legislature of a free society

There can be no more important or far-reaching activity by trade unions than legislative activity. Workers in this country enjoy workmen's compensation, unemployment benefits, safety and sanitary laws, and laws protecting women and children from exploitation because of activities of central labor groups—national, state and local. These laws could not have been—and were not—achieved by the efforts of any one union, but rather by the collective power of the labor movement.

But the effectiveness of legislative activity, of labor's efforts to get laws passed which are helpful and important to workers and to all Americans, depends greatly on the strength of AFL-CIO state and

local central bodies.

National legislation could increase and extend unemployment compensation, provide broad health protection for the aged, establish fair labor-management legislation, and insure that the development of national resources will benefit everyone instead of

just a few.

State legislation also affects the welfare of the people. Workmen's compensation, so-called "right-to-work" laws, state taxes and unemployment benefits must be improved or changed by the states. The new Landrum-Griffin labor law gives the states much greater power in the field of labor-management relations.

City and county legislation—ordinances passed by city councils and county supervisors—decide how fair your local taxes will be and how good your

schools will be.

Many business and farm groups have well-financed lobbying operations. Unless the AFL-CIO and its state and local central bodies are strong and vigorous, labor's views on legislation will be ignored. These central bodies need the strength and support your local union can give by affiliating.



PUBLIC RELATIONS

To win friends with the truth about labor

What unions do is news. The way this news is presented to the public, through the press, radio and television, has much to do with the attitude of the community toward the labor movement. It can have an important effect on our progress toward our economic and political goals.

The AFL-CIO in Washington and most international union headquarters carry on public relations programs at the national level. But these programs obviously can't be directed to the problems of individual local unions, individual communities or even individual states.

The picture changes when there is a strong, wellsupported network of central bodies in the states and cities.

The local central body can help member unions prepare and publicize their statements on economic matters.

The local or state central body can draw attention to the constructive achievements of member unions, which otherwise would pass unknown and unnoticed.

The local or state central body can act as spokesman for all member unions, or for any one of them, on public issues.

To put it another way, public relations knowhow in the central body is at the service of every member organization. It's not possible for every local union to have a public relations expert; with a strong central labor body, the needs of each member union can be met.

Through central bodies, labor in each community and each state can speak with one voice, at the right time, in the right place. That's the first element of good public relations.

COPE



Political Education — the foundation for sound public policy and legislation in the public interest

What we win at the bargaining table can be taken away from us by hostile legislatures.

The only way we can insure ourselves against anti-labor law-making bodies is through political education and political action.

In the labor movement, that means we must work through the political arm of the AFL-CIO, the Committee on Political Education, commonly known as COPE. In the states and cities, COPE works through the state and city central bodies.

Naturally, if your central body speaks for all the unions in your city or your state, as the case may be, any candidate or legislator will listen to what it has to say. He knows it represents people.

We need better schools, fairer taxes, a water supply that is guaranteed against impurities, good police and fire protection, decent housing, adequate unemployment compensation and disability insurance, and many other things that depend upon good city councils, good county boards and good legislatures.

In short, they depend upon effective political action. And effective political action, in turn, means unity on the city level and unity on the state level.

"United we stand, divided we fall." That declaration applies as much to political action as to collective bargaining.



COMMUNITY SERVICES

By Serving the Community We Serve Labor

The AFL-CIO has a Standing Committee on Community Services and a national Department of Community Services Activities with a full-time director and staff. Most state and local central bodies have Community Services Committees, and in 87 cities there are full-time labor representatives on the staffs of local united funds, community chests, and welfare planning councils.

The purpose is to "stimulate the active participation by members and affiliated unions in the affairs of their communities and the development of sound relationships with social agencies in such com-

munities." The objectives include:

1) Equitable labor representation on agency boards and committees, both public and voluntary; 2) labor participation in formulating agency policies and programs; 3) assistance to union members, their families and other citizens in time of need, particularly during strikes, layoffs and unemployment; 4) union participation in local civil defense and disaster relief programs and operations; 5) assistance in the planning and development of health and welfare services to meet community needs in such areas as mental health. alcoholism, recreation, blood banks, health education; 6) coordination of fund-raising drives; 7) cooperation with other agencies in solving social and health problems; and 8) participation in all genuine efforts to improve social work standards and practices.

Members of every union have a very real stake in the work of the social agencies which receive substantial support from union members through contributions to united funds and community chests. Our members and their families are entitled to the services and aid of these agencies when need arises. Our concern can be most effectively expressed through the central body of your

community.

EDUCATION



A Growing Labor Movement Needs An Effective Union Education Program To Prepare it for the Job at Hand

The effective unionist needs skills in bargaining and organizing, an understanding of politics and economics, and an ability to work effectively with all kinds of people. It is the purpose of labor education to help provide these.

The central body, whether state or local, plays an important role in developing this kind of union education program.

Throughout the country each year, there are week-long summer schools and week-end institutes sponsored by state central bodies focusing attention on basic union training, as well as an understanding of current political and social problems. Bringing together unionists from a variety of industries and trades, these schools also help build the kind of solidarity which makes unionism effective.

Some state central bodies have full time education staffs to advise local unions on education programs, help find teachers and other resources, distribute education material to the affiliated locals, and arrange the conferences and institutes described above. In other central bodies, these functions are performed by the officers, or by an education committee.

The central bodies, too, represent labor's point of view to the schools. American unions laid the base for the present public school system. We have a continuing interest in getting the best possible education for all children, from kindergarten through the university. The central body can be the voice of the union movement in obtaining this.



UNION LABELS

Symbols of quality, fair working conditions, good wages

Collective bargaining and union label buying—here are two powerful and effective tools used by the trade union movement to elevate the standard of living for our own union members as well as to help bring lasting benefits to all citizens of our land.

"What to buy" and "Where to buy" are spelled out for the individual union member by labor's own symbols of distinction—the union label, the shop card and the service button. Your local union is constantly urging its members to demand these emblems of highest quality—these assurances of fair play between worker and employer—when they buy and when they spend.

Your city central body is the official clearing house for information on union goods and services just as it is the rallying point for support of all local unions in their collective bargaining disputes. A strong central labor body in your city means greater strength for each of its affiliated local unions—this applies to the field of union labels, shop cards and service buttons just as well as it does in all other trade union activities.

Add the strength and numbers of your local union to the programs of your city central body. Affiliate your local with this family of unions and help make more effective union-label buying and collective bargaining efforts of all unions in your city.

ORGANIZE!



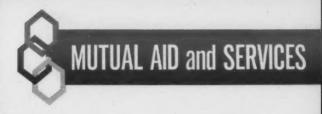
Labor's No. 1 objective is still to organize the unorganized

Historically, the central labor unions played a significant role in organizing the unorganized. Committees of the central bodies were often the chief means in the early years by which the story of unionism was spread from shop to shop and craft to craft.

Today, the service requirements of the present union membership place a heavy burden on the manpower available to the unions. Again, as in the early years, the central body—local and state—is being called upon to "spread the gospel of unionism." An active organizing committee is an invaluable aid to the AFL-CIO organizing staff and to the organizers of the national and international unions.

Central bodies also aid organizational growth by their effect on community attitudes toward the labor movement. Active participation in programs to develop better housing, promote recreational facilities and better schools, combat juvenile delinquency, improve intergroup relationships, and promote equality of treatment and opportunity for all persons is one of the important ways in which the central body helps improve the general climate of public opinion within which workers are urged to join ranks under the banner of the AFL-CIO.

The local and state central body, by the very nature of its structure, brings together for common endeavors the full strength of the organized labor movement in the states and local communities—and that includes ORGANIZING!



Cooperation and unity of action — the basis for a strong labor movement

The city central body developed out of the strongly felt need for mutual aid in the struggle of workers for a place in the sun. Strikes, lock-outs, black lists, yellow dog contracts, injunctions marked the early struggles. The central body was the common meeting ground for the local unions of a city as they fought against the entrenched power of the employers.

The need for mutual aid is no less important today than in those early years. Cooperation and unity of action still form the basis for a strong labor movement whether local, state or national.

Are your members on strike and in need of support and assistance? The local central body is ready to give it.

Are your unemployed members having difficulty with unemployment insurance payments? Your state AFL-CIO can help through a direct contact with the state's Employment Security Department.

Has one of your members been injured on the job and having difficulty securing the workmen's compensation the law entitles him to? Again, your state central body can help.

Are the safety or sanitary laws being flouted in your plant or shop? Again, your central body can give aid.

A large local may be big enough and strong enough to do these things for itself. But small locals need the strength large locals can give to the central body to which they must look for mutual aid and service.

LABOR PRESS



To tell labor's story to union members and the public

Affiliation with a state or city central body will give your local union a new avenue of information on labor developments on the local, state and national scene through the papers published by these bodies.

Not all state and local bodies publish newspapers but nearly all of them have some sort of publication, either a paper, a newsletter or a bulletin.

These publications contain important news and comments on developments affecting your local and its members that normally cannot be obtained anywhere else.

These publications also give your local union a chance to get its particular story into print. News of your negotiations, community service activities and other major accomplishments finds a useful outlet in papers published by state and local bodies.

The labor press has long been an invaluable tool for advancing the cause of organized labor. You can benefit from and use this tool by affiliating with your state and local central body. In some areas where the labor press has not been completely developed, you can aid in that development by affiliating and helping to establish an effective publication.



AFFILIATION IS A MUST!

"A chain is no stronger than its weakest link" — as true today as when first spoken

Do you like "free riders" who take all the benefits your union wins at the bargaining table, but who refuse to assume their financial obligation to support the union responsible for these benefits? Of course not!

But if your local union is not affiliated with the AFL-CIO state central body and the local central body in your city or county, then—to that extent—YOUR LOCAL IS A "FREE RIDER" on the rest of the labor movement.

In the preceding pages is a brief description of the major functions which are performed, in whole or in part, by these central bodies. Some do a better job than others. Some are weak, some are strong. But none can do its best job unless it has the full support and participation of all local unions in its jurisdiction.

AFFILIATE TODAY FOR A STRONGER LABOR MOVEMENT AND FOR THE COMMON WELFARE!

HOW TO AFFILIATE



Steps to take

You may have received with this pamphlet a letter from your state or local central body inviting your local union to affiliate. If so, just follow the instructions in the letter.

But in case you don't have this information here's all you need to do:

- (1) Write "The Secretary" of the state or local central body, or call him on the telephone.
- (2) Ask him for the necessary information: amount of dues (and affiliation fee, if any), where to send the check, and how many delegates your local is entitled to.
- (3) When you have the necessary information, bring the matter before your local union for a vote. It is usually a good idea to take it up with the local's executive board first. A strong recommendation from the board will help carry the proposal when it goes before the local union.
- (4) If there are any unanswered questions, why not ask the central body to send a speaker to tell your local more about the important work of the AFL-CIO state and local central bodies.

Remember—"A chain is only as strong as its weakest link." Don't let your local be the "weak link"!

For More Information

If you don't know the name or address of the secretary of your state or local central body, or

If you want further information, write to:

Stanton E. Smith, Coordinator State and Local Central Bodies, AFL-CIO 815 Sixteenth St., N.W. Washington 6, D.C.







AMERICAN FEDERATION OF LABOR AND CONSESS OF INDUSTRIAL ORGANIZATION



FEDERAL TAXES

...a handbook on problems & solutions



AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

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AFL-CIO Publication No. 108



FOREWORD

A NATION'S TAX SYSTEM is a basic ingredient in producing a full employment, full production economy.

The level of taxation, the structure of the tax system and the rates of taxation all play a key role in determining a nation's economic course.

It is because of the impact of a tax system on the economy and, therefore, the economic security of all Americans, that the AFL-CIO has produced this analysis of our tax system. This book is a thoroughly documented and factual study of how our tax system measures up in terms of the nation's needs.

The tax structure is a pervasive instrument that affects every American. A change in tax rates has a direct effect on the take-home pay of every American worker. It affects every businessman, every farmer, every citizen.

Taxes today play a major role in the national economy. In the year ended June 30, 1959, federal taxes amounted to \$77.5 billion or 20 percent of the national income.

In 1960 about six times as many individual income tax returns were filed as were filed 20 years earlier. The large sums needed for national security and national defense could not be raised merely by increasing the taxes of those who were already on the tax rolls. It was necessary to widen the base to collect taxes from more people. This meant lowering personal exemptions and increasing the tax rates throughout the income scale. The rise in the general level of income since 1939 has helped increase the number of taxpayers.

A nation cannot solve all of its economic problems through tax reform and a poor tax system by itself does not necessarily mean national bankruptcy. But the determination of who pays how much in taxes can determine the level of spending by consumers and businessmen and thus determine the health of the nation's economy. The picture of our tax system that emerges from this volume is not reassuring. Essentially it is a picture in which different types of income are being taxed at different rates and in which special provisions written into the law allow many taxpayers to pay at far lower rates than those called for by the tax schedule.

The heaviest burden is carried by those whose income is solely from wages and salaries. Income from dividends is taxed at lower rates and income from capital gains is taxed at a still lower figure. Only a small part of the wage and salary income goes unreported on tax returns. A much larger proportion of dividend, interest, and self-employment income escapes taxation.

Special provisions allow many types of payments to be excluded from taxable income. The allowable deductions have been expanded, further cutting down the amount of income subject to tax. The net result is a continual "erosion" of the income tax base.

The picture with regard to other types of federal taxation is equally gloomy. Special provisions abound in the corporate tax structure. Burdensome excise taxes retard economic development. Poorly designed estate and gift taxes allow large sums to escape taxation.

This volume has been designed as an aid to understanding the complex issues involved in federal tax policy. It has been prepared after extensive study by the AFL-CIO Research Department. A number of tax experts including Norman B. Ture, Staff Economist, Joint Economic Committee, Washington, D. C., and Louis Eisenstein, attorney, Washington, D. C. have been consulted during its preparation. The Department of Research has had the special assistance of Eugene Feingold of Brookings Institution and the University of Michigan. While we are indebted to Mr. Feingold and other consultants for their assistance, all conclusions and statements of policy in this handbook are those of the AFL-CIO.

Washington, D. C., September, 1960

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ONE What Makes a Good Tax System?

IN APPRAISING ANY TAX SYSTEM, several general principles must be considered in deciding whether a tax is good or bad. Among the more important of these are the following:

1. Fairness: Obviously the taxes imposed should be fair to the taxpayers as a group. They should treat equally taxpayers with equal taxpaying ability; and the taxes levied on taxpayers with different taxpaying abilities should conform to standards which the community as a whole regards as fair.

2. Economic Effects: A tax system should provide a helping hand to the growth and stability of the national economy. It should interfere as little as possible with the economic decisions of consumers and businesses.

3. Adequacy of Revenue: A tax system should be adequate to pay for the costs of government, not necessarily every year but certainly over a period of years.

4. Administration and Compliance: The tax system should be easily understood by the taxpayers and easy to administer so that compliance is made as agreeable as possible.

PAIRNESS

The most important standard of judgment involves justice or equity.

A government's revenue program should conform as closely as possible to the people's idea of fairness. Most people would agree that justice requires that the tax system treat alike all those in similar circumstances. Ideally, each dollar of income should be taxed alike regardless of the manner in which it was earned or the manner in which it was spent.

But most people would also hold that a tax system should not only give equal treatment to those whose economic capacity is equal but also should impose a relatively larger tax on those whose economic capacity is greater than that of others. This is the idea embodied in the phrase "ability to pay."

It is not too easy to define what ability to pay really is, and once defined in a general way it is sometimes difficult to translate into specific terms.

For example: Should we base ability to pay on a person's total wealth or on his annual income? If we decide on the latter, what should be included in computing such income? To what extent should we consider the size of an individual's family, medical costs and other special factors? Also, is an income tax really levied on the basis of ability to pay if the same rate (say 6 percent) is taken from all incomes—or should the rate increase as income goes up? It is true that if the tax rate is the same for all (in such cases it is called a "proportional" tax) a 6 percent rate would take \$180 from a \$3,000 income family and \$480 from an \$8,000 family. But is this difference really sufficient to be in accordance with "ability to pay"?

It is generally agreed that if a tax or tax system is to reflect ability to pay, it should use "progressive" or graduated tax rates—that is, as a person's income increases, the *rate* of tax on that income should also rise.

A progressive tax system does have the effect of making incomes after taxation more equal than they were before. This does not mean that progressive taxes result in complete equality. As a matter of fact, the federal income tax has had a much smaller effect in this direction than most people imagine. (This will be discussed further in CHAPTER THREE.)

One can support progressive taxation without favoring complete equality of income—or anything approaching it. Provided the tax rates are not confiscatory (and, contrary to what a few people say, we have never even approached this point in the United States), progressive tax rates still leave the distribution of income unequal—but less so than it was before taxes.

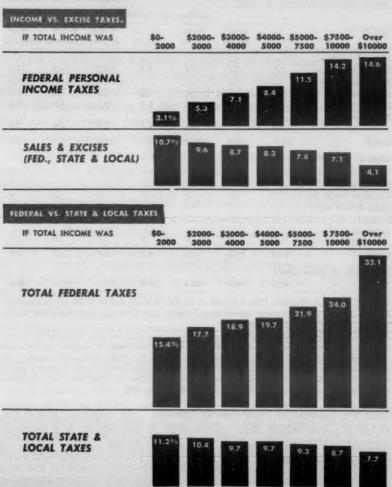
If a tax system takes a larger proportion of a small income than it takes of a larger income, it is the opposite of progressive. Such a tax or tax system is said to be "regressive" and violates the principle of ability of pay.

Graduated personal income and corporate profit taxes, as well as inheritance and gift taxes, are progressive because the exemptions and rising rates result in a larger proportion of tax payment by the well-off than by others.

General sales taxes and selective sales taxes (sometimes called excises) are regressive because poor families spend a larger part of their income than wealthy families so that the same tax rate on purchases takes a larger proportion of a small income than of a larger one. For the same reason property taxes are also regressive.

Recent studies by Professor R. A. Musgrave of Johns Hopkins University

Impact of Varying Taxes on Different Income Groups (1954)
TAX AS PERCENT OF INCOME



show how the burden of these various types of taxes differs among various income groups. The accompanying chart and table show his findings.

The table shows clearly the *progressive* nature of the personal income tax—its burden on the higher-income groups is far heavier than on the lower-income groups. The figures for both the federal and state excise taxes show a very clear regressive pattern: it is these taxes which take the largest bite

Estimated Effective Rates of Taxation, 1954 (TAX AS PERCENT OF INCOME)

			Spending U	nit income	Brackets		
Type of Tax	0- \$2,000	\$2,000- \$3,000	\$3,000- \$4,000	\$4,000- \$5,000	\$5,000- \$7,500	\$7,500- \$10,000	Over \$10,000
Federal Taxes							
Personal Income tax	3.1	5.3	7.1	8.4	11,5	14.2	14.6
Estate and gift taxes	_	-	-	-	-	_	1.4
Corporate profits tax	3.7	3.8	3.3	3.2	3.6	4.1	14.1
Excises	5.0	4.5	4.1	3.9	3.6	3.3	1.9
Sacial Insurance contribution	3.6	4.1	4.4	4.2	3.2	2,4	1.1
Total	15.4	17.7	18.9	19.7	21.9	24.0	33.1
State & Local Taxes							
Personal Income tax	.1	.1	.2	.2	A	.5	.8
Inheritance & gift taxes	_		-	-		_	A
Corporate profits tax	.2	.2	.1	.1	.2	.2	.6
Excise & sales taxes	5.7	5.1	4.6	4.4	4.2	3.8	2.2
Property	4.8	4.3	4.1	4.1	3.8	3.6	3.4
Social insurance		_			-		-
contribution	.5	3	J	.9	3	.6	.3
Total	11.2	10.4	9.7	9.7	9.3	8.7	7.7
All Levels of Govern	ment						
Total	26.6	28.1	28.6	29,4	31.2	32.7	40.8

SOURCE: Richard A. Musgrave, "The Incidence of the Tax Structure and its Effects on Consumption," Federal Tax Policy for Economic Growth and Stability, U.S. Congress, Joint Committee on the Economic Report, November 1955.

NOTE: A more recent estimate of effective tax rates by income class has been completed by the Tax Foundation, inc. Their results for the year 1958 confirm the basic trends of progressivity for Income taxes and regressivity for sales and excise taxes shown in the table above. Differences in the distribution of the corporate income tax and social insurance contributions can be explained largely in terms of the different assumptions made by the two studies. (See Tax Foundation, Inc. "Allocation of the Tax Burden by Income Class," May 1960, Table 10. p. 17.)

from the incomes of lower-income families. The corporate profits tax, which is partly shifted from corporations to individuals, is a relatively proportional tax in the bottom brackets, but it has a heavy impact on incomes above \$10,000.

Because federal excise taxes and most state and local taxes are regressive, it is only the federal individual and corporate income taxes that make the combined federal-state-local tax system progressive on balance. It is therefore important that the federal tax system should continue to rely heavily on progressive taxes like the income tax, and as little as possible on regressive taxes.

Once a progressive tax system is decided on, other problems arise. What is the pattern of progression to be? That is, how fast should the tax rates

increase? How much and what kinds of income, if any, should be exempt from the tax? The present pattern of progression in federal income taxes will be discussed in CHAPTER THREE.

ECONOMIC EFFECTS

In addition to being fair, a good tax system should have favorable economic effects. It should help promote a growing economy, without depressions or inflation, that operates efficiently at a high level of employment and income. It was once fashionable to say that taxation (other than protective tariffs) should be for revenue purposes only. However, a little thought shows that this is impossible in today's world.

When one-fifth of the national income goes into federal taxation, taxes cannot help but influence the economy. The economic effects of taxation stem from the fact that taxes take money from the taxpayer at the same time that they give money to the government. They thereby reduce the amount of money that the taxpayer has to save or spend. Thus a tax increase in time of inflation can cut the amount of income available for individuals and business to spend, helping control the inflation. A tax cut can help pull the nation out of a recession by increasing the amount of income available for the purchase of consumer goods. In both of these cases, however, the effects depend on other factors as well.

Because Congress has always moved slowly on tax matters, action taken to remedy a particular economic problem (even if everyone agreed on the steps to be taken) may be too late to do any good. For this reason it is desirable to have flexible taxes that automatically react to the economic changes. The progressive income tax is one of the more flexible taxes. In time of recession, when incomes are dropping into lower brackets, the percentage of income which goes into taxes also drops. A higher portion of income is spent on consumer goods, helping to pull the economy out of the recession. In inflationary periods the percentage of income going into taxes increases, cutting the amount of money available for spending and helping to reduce inflationary pressures. The more progressive the tax, the greater its stabilizing effect. The individual and corporation income taxes are most responsive to economic fluctuations; sales, estate and employment taxes are not as responsive, and are thus less valuable for stabilization purposes. The more progressive an income tax is, the better device it is for economic stabilization.

There are other ways in which the tax system may affect the economy. If taxes are levied on particular occupations or businesses they may have the result of keeping people out of these fields and leading them into others in

which similar taxes are not levied. As a general rule, the tax system should interfere as little as possible with the normal functioning of the economy including the decisions that people have to make about where they want to work and how they want to invest their money.

It is sometimes argued that our present taxes are so high that they have seriously reduced incentives to work, to save and to invest. However, the period of high taxation that has prevailed for the last 20 years has also been a period of very high income, savings and investment, indicating that there has been little if any loss of incentives.

A number of studies undertaken since World War II on the relation of tax rates to work incentives were summarized by Professor George F. Break for the House Committee on Ways and Means in 1959. The studies showed "without exception," he said, that income taxes had "little or no influence, in the aggregate, on the amount of work done." High taxes, both in low income groups and high income groups, occasionally had a "disincentive" effect and in other situations an "incentive" effect, but by and large little relationship could be found between the level of taxes and individuals' work efforts.

Impairment of investment incentives has been vastly exaggerated. Professor J. Keith Butters of Harvard University, after making a special study of the effects of high tax rates on investments made by upper-income tax-payers, concluded that "the combined impact of these effects fell far short of drying up the supply of equity capital which private investors were willing and able to make available to business. The evidence indicates that the accumulation of investable funds by the upper-income classes has been consistently large during postwar years, despite the existing tax structure, and that individuals with large incomes and substantial wealth continue as a group to hold and invest a large proportion of their funds in equity-type investments." ²

OTHER CONSIDERATIONS

In addition to fairness and economic effects, there are a number of other standards to be considered in judging a tax. Obviously, a tax must be adequate to raise the amount of revenue needed. However, this does not mean that the federal budget must be balanced every year. The federal government has the power to raise money by borrowing as well as

¹ "Income Tax Rates and Incentives to Work and to Invest," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. III, p. 2247.

³ "Effects of Taxation on the Investment Capacities and Policies of Individuals," Federal Tax Policy for Economic Growth and Stability, U.S. Congress, Joint Committee on the Economic Report, November 1955, p. 133,

by taxation. Further, by accumulating a surplus in prosperous times, the government can help pay off the deficits of less prosperous times. Thus taxes need not be set at a level which will cover all expenses at any particular time. Indeed, it is sometimes desirable to have a deficit—for example, in times of recession, when a deficit helps to stimulate the economy.

A tax system should also be simple, so that citizens can understand it, and so that taxes are easy for the government to administer and for the citizen to pay.

All these objectives are not necessarily compatible. It is therefore important in analyzing any system of taxation to determine first what the most important objectives are and second how these can be achieved with a minimum of conflict with other desirable objectives. The analysis in this volume places the greatest emphasis on the first test of a good tax system, fairness.

Two The Federal Tax Structure

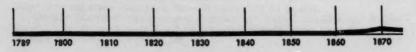
NATIONAL TAX POLICY BEGAN in colonial America with the famed protest, "no taxation without representation," and the indignant dumping of dutiable tea into Boston harbor.

The ensuing Revolution was fought on a shoestring—financed by gifts and loans from friendly nations abroad.

But by 1789 the four million inhabitants of the United States had established a federal government, committed to paying off the nation's debts and setting up house as an independent power. The new Constitution empowered the federal government to "Lay and Collect Taxes, Duties, Imposts and Excises to pay the Debts and provide for the common Defence and general Welfare of the United States."

The total revenues of the new nation's government, during the first three years of its existence, came to less than \$4½ million. Almost all of this amount came from tariff duties on imports. Such "internal revenue" as the government did collect came largely from special taxes (excises) on the sale of items like whiskey, sugar and snuff, and even these disappeared after 1817. From then until the Civil War federal receipts consisted of tariffs plus some income from the sale of public lands.

Total Annual Tax Revenues 1789-1958



* 1

On the eve of the Civil War, the customs were bringing in nearly \$50 million a year. The financing of this conflict brought a host of new temporary taxes (including a federal income tax), of which excises survived as a permanent feature of the tax structure. The most important of these were on alcohol and tobacco. From the Civil War until 1913 excises contributed about half of all federal revenues, the other half still being supplied by the tariff.

Pressures to substitute a federal income tax for at least part of the tariff as a source of revenue brought about the enactment of the corporate income tax in 1909 and the individual income tax in 1913 after a Constitutional amendment (the 16th) removed all possible doubt about the federal power to impose such a tax. Both the new taxes (together with an excess profits tax on corporations) proved highly productive in meeting the revenue requirements of World War I, a period which also established the estate tax in the developing federal tax structure.

Federal taxes, after reaching a high point of \$5.7 billion in 1920, dropped off under successive rate reductions to about \$31/2 billion in 1929. Income taxes, especially corporate income taxes, provided the bulk of the revenue during this period.

Revenues dropped off even further after the stock market crash of 1929. With the precipitous drop in national income from \$87.8 billion in 1929 to \$42.5 billion in 1932, the total revenues that year were less than \$2 billion. The New Deal government, in an effort to meet the revenue crisis and to finance programs to meet the worst depression in the nation's history, raised income tax rates, particularly on higher



income groups, and inaugurated new excise taxes. (The gift tax dates from 1932.) A new concern for social security measures resulted in the enactment of the nation's social insurance programs and with them a new type of tax—the employment payroll taxes to finance old-age insurance, railroad retirement and unemployment insurance.

Even with the rate rises of the 1930's and the new payroll taxes, total federal revenues at the end of the decade amounted to only \$6.2 billion. In 1960, federal revenues from all sources will come to nearly \$90 billion. In the space of just 20 years, federal taxes have risen by 1,500 percent. The average workers' family today probably pays as much as \$690 a year in direct federal taxes of various types. (See Appendix, Table D.)

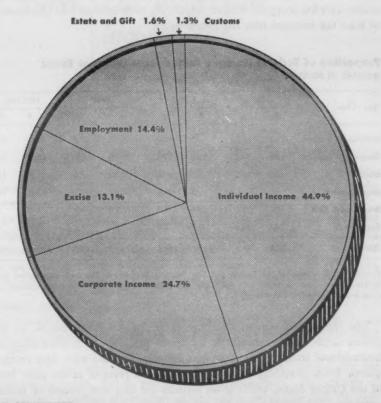
The present-day tax structure, with its enormous revenues (based, of course, on a very much larger national income) dates from the onset of World War II. In meeting the unprecedented financing requirements of this war, the revenue intake of the government jumped from \$6.2 billion in 1939 to \$43.8 billion in 1945. To collect this vast amount of money, the individual income tax was transformed from a modest levy on about 10 percent of the population in 1939 to a stiff impost on 56 percent by 1945. This mass individual income tax, together with newly enacted excess profits taxes on corporations, provided the prime source of World War II revenues.

Since the war period the individual income tax has outstripped all others (including the corporation tax) in its production of revenue, and has become the backbone of the federal tax system.

The cold war, the Korean War and the atomic age have kept federal revenue requirements at a continuing high level. However, a number of tax reductions were made in the immediate postwar period, 1946-50. Although the mass structure of the individual income tax was retained, the excess profits tax was repealed, rates were reduced on both corporate and individual income and various special provisions were introduced, particularly by the Revenue Act of 1948, which reduced the actual effective tax rates for particular groups of taxpayers.

The reduction process was halted during the Korean war years, 1950-1953, and many of the World War II taxes were revived. With 1954 came a general overhaul of the tax system which with only minor alterations is the one in effect today. The law continued a high rate structure (although lower than the wartime peaks) but provided a number of special offsets, deductions, credits and other provisions for particular groups of taxpayers, especially those in the upper income brackets.

Proportion of Federal Revenue Raised from Different Taxes (1960)



TAX STRUCTURE

Today's tax structure is extraordinarily complex. Though rates are high, "escape clauses" are numerous, and a thriving profession of tax lawyers has grown up to help taxpayers, especially wealthy ones, to take advantage of them.

Several types of taxes are levied by the federal government. As noted, the greatest source of revenue is the individual income tax, which provides about 45 percent of all federal revenue. Other important internal revenue taxes are the corporation income tax, excise taxes (taxes on specific products, such as liquor, tobacco and automobiles), estate and gift taxes and employment taxes (which pay for social security and railroad retirement programs).

Over the years there has been a sharp increase in the proportion of total taxes raised by the individual income tax. On the other hand, the proportion of total revenue raised through the corporate income tax and through excise taxes has dropped. The accompanying table indicates the distribution of total tax revenues over the last 30 years.

Proportion of Federal Revenue Raised from Different Taxes (DOLLARS IN BILLIONS)

	. 19	30	1	1940		50	1960	(est)
Type of Tax	\$	%	\$	%	\$	%	\$	%
individual Income	1.15	31.8	.96	14.9	15.74	40.5	40.30	44.9
Corporate Income	1.26	34.8	1.12	17.4	10.45	26.9	22.20	24.7
Excise	.56	15.5	1.97	30.6	7.55	19.4	11.73	13.1
Employment	_	_	1.70	26.4	3.98	10.2	12.90	14.4
Estate and Oift	.06	1.7	.36	5.6	.70	1.8	1.47	1.6
Customs	.59	16.3	.33	5.1	.41	1.1	1.18	1.3
TOTAL	\$3.62	100.0	\$6.44	100.0	\$38.83	100.0	\$89.78	100.0

SOURCE: U. S. Bureau of the Budget and U.S. Treasury Department. The data are derived from figures showing cash payments from the public and exclude veterans' life insurance premiums and other non-tax budget and trust receipts.

The federal government also imposes tariffs, or customs duties. In imposing tariffs the government is concerned primarily with their effect on international trade and on American industry, and not with their revenue effects. From providing the principal source of revenue in the early years of the United States, tariffs today account for only one percent of federal revenues. This booklet will not consider customs duties, but will concern itself only with internal revenue taxes.

The following chapters will discuss the history, current provisions and problems of the principal federal taxes.

THREE The Individual Income Tax

THE INDIVIDUAL INCOME TAX is the most productive source of revenue in the federal tax structure. Fully 45 percent of the current needs of the government are met by this one tax.

The tax on individual incomes is the most equitable method of raising government revenues. Yet from the very beginning it has been highly controversial. Political parties and candidates have debated the merits of the tax itself, as well as its specific rates, exemptions and special provisions. It is currently the center of more controversy than any other single tax.

HISTORY OF THE TAX

The individual income tax made its first appearance in the federal tax structure as one of the emergency taxes of the Civil War. It was repealed in 1872.

The tariff had long been the predominant source of revenue for the federal government. But it was not without its enemies. Its function of "protecting" American manufacturing was highly unpopular with the agricultural South and later the West. Moreover, the emergence of giant corporations and the increasing concentration of wealth among individuals added labor and small business protests to those of the farm areas. By the 1890's the tariff was seen as the "mother of trusts and millionaires." Populists, Democrats, and later Theodore Roosevelt's Republicans joined in the demand for tax reform.

The Democrats first succeeded in enacting a federal income tax law in 1894. It was speedily declared unconstitutional by the Supreme Court on the ground that it was a "direct" tax and therefore had to be "apportioned" among the states according to population. This would have been almost impossible for technical reasons and highly inequitable as well. The

16th Amendment to the Constitution, adopted in 1913, specifically empowered the federal government to "lay and collect taxes on incomes, from whatever source derived, without apportionment among the states, and without regard to any census or enumeration."

Thus the federal income tax began with a law in 1913 taxing incomes at the rate of 1 percent, with an exemption of \$3,000 for a single person and \$4,000 for a married couple. An additional "surtax" of 1 to 6 percent was levied on incomes above \$20,000, with the 6 percent bracket being reached at \$500,000.

Exemptions for dependents first made their appearance in 1917. Rates were raised and exemptions lowered during the World War I period, but the reverse process set in during the decade of the 1920's. Effective rates reached an all-time low in 1929, except on high incomes, and even these were the lowest of the decade. Rates were again on the rise in the 1930's, but the real transformation of the individual income tax was brought by World War II.

The income tax was transformed into a mass levy on well over half the population by a drastic drop in the basic personal exemption, which created millions of new taxpayers. In addition, there was a very large increase in the minimum tax rate for the lowest income groups, as well as for higher income groups. The tax increase for the lowest groups was the more important since the low-income taxpayers were far more numerous.

The basic exemption for a single person, \$1,000 in 1939, was cut to \$500 in 1942. The minimum tax rate of 4 percent in 1939 shot to 23 percent in 1944. From a total of 7.6 million returns filed in 1939, the number jumped to 36.5 million in 1942 and by 1945 had reached 49.9 million. In 1939, taxpayers with income under \$5,000 supplied about 10 percent of the total yield of the income tax; in 1947 their share was nearly 48 percent.

To facilitate collection of the mass tax a number of administrative changes were made, most of which remain in effect today. The withholding of current taxes from wage and salary paychecks; the standard 10 percent deduction as an alternative to itemizing specific deductions; the tax table from which the taxpayer could read off his tax without computations, and the adoption of uniform dollar amounts for personal and dependents' exemptions, all date from World War II.

Only minor or temporary alterations in the rate structure have been made since the war. Of principal importance to the low-income taxpayer was the increase in the personal exemption to \$600 in 1948. Various rate reductions in the immediate postwar period were offset during the Korean

War. The most recent major legislation, in 1954, made a number of other important changes but left rates much as they were in World War II.

Many of the postwar changes in the individual income tax have served to reduce the tax burden of specific groups of taxpayers. Thus the 1948 law produced the "split income" provision for married couples which greatly reduced their tax liability, particularly in income groups above \$10,000. The extra \$600 exemption for persons 65 and older also dates from 1948, as does the extra \$600 exemption for the blind. Previously the law had contained a special deduction for blindness. The 1954 legislation introduced dividend exclusions and credits; extended the types of income which could qualify for lower capital gains tax rates, and created such special items as the sick pay exclusion, retirement income credit and child care deduction.

Meanwhile, the general rise in incomes has reduced the number of taxpayers with incomes below \$5,000, although they are still the largest group, comprising 53 percent of all taxpayers in 1958. They are less crucial, however, to the total yield of the tax than they were 10 to 12 years ago. The \$5,000-\$10,000 group now pays the largest proportion of the tax-40 percent of the total in 1958, as against 19 percent paid by the under \$5,000 group.

Percent of Total Income Taxes Paid by Different Income Groups, 1947-1958

Adjusted Gress Income Class	1958	1956	1954	1952	1950	1948	1947
Under \$5,000	19.3	22.6	28.1	31.8	34.9	38.6	47.9
\$5,000-\$10,000	39.6	37.2	34.5	31.8	21.7	19.2	14.1
\$10,000-\$25,000	21.2	18.2	1	1	13.8	14.3	14.8
\$25,000-\$50,000	9.0	9.2	24.5	23.5	10.3	10.7	9.9
\$50,000 and over	11.0	12.7	12.8	12.9	19.4	17.8	13.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Billions of dollars	\$34.2	\$32.7	\$26.7	\$27.8	\$18.4	\$15.4	\$18.1

SOURCE: U.S. Treasury Department, Statistics of Income, 1956 and Statistics of Income, 1958 (preliminary).

THE INCOME TAX TODAY

Today, the individual income tax plays a dominant role in the federal tax structure. Its estimated 1960 yield of over \$40 billion is higher by far than that of any other tax. It provides 44.9 percent of all federal revenue.

Occupying such a prominent position in the tax structure, it is natural that the provisions of the individual income tax—the rate schedule, exemptions and deductions—provide the major battleground for tax policy issues in Congress.

By and large, the income tax is the one tax that more than any other reflects the principle of progressive taxation. Individual income tax rates range from 20 to 91 percent. These figures, however, give an entirely erroneous impression of the degree to which the income tax is progressive. In the year ended June 30, 1959, for example, federal income taxes amounted to only 11 percent of total income received by everyone in the United States.

Why don't the progressive rates in the law bring in more taxes to the federal government? There are a number of reasons.

First of all, the tax rates apply to "taxable income," which is not the same thing as the total income of individuals. The accompanying table lists the differences between the two.

Difference between Total Personal Income and Total Taxable Income, 1957 (BILLIONS OF DOLLARS)

Total personal income as reported by Department of Commerce	\$350.6
 Types of Income not required to be reported on tax returns (social security payments, noncash income, interest on state and local bonds, certain 	
dividend income, etc.)	41.9
2. Income of persons not required to file tax returns because Income was below \$600 plus Income illegally not reported	28.4
3. Income of persons who file returns on which no tax need be paid	18.2
4. Exemptions (personal, age and blindness)	76.8
5. Deductions (standard 10 percent and itemized)	36.2
Total subtractions	\$201.4
Total taxable Income	\$149.2

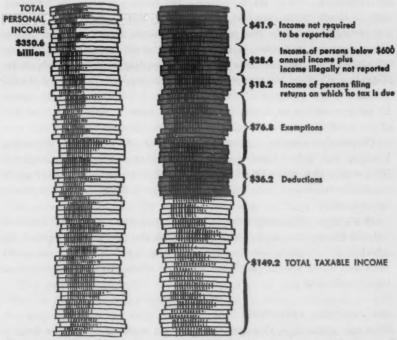
Department of Commerce figure actually includes \$54.8 billion not reportable on tax returns, but tax returns include \$12.9 billion not included in Commerce total. Net difference between the two is \$41.9 billion. An important income exclusion not taken into account in this table is \$8.7 billion of long-term capital gains.

SOURCE: Joseph A. Pechman, "What Would a Comprehensive Income Tax Yield?" Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. 1, pps. 253, 257.

Some income which should be reported to the government is not in fact reported and thus is never taxed. Almost all income from wages and salaries, of course, is reported through the withholding system under which taxes are deducted from each pay envelope. Taxes on other kinds of income, however, such as that from interest, dividends, professional

Difference Between Total Personal Income and Total Taxable Income (1957)

(IN BILLIONS)



fees and private business, are not withheld in advance, and it is much of this income that is not reported.

In addition to illegal non-reporting, there are the legal exclusions, exemptions and deductions that taxpayers can subtract from their total income to determine the income on which their taxes are actually figured. Income that can be excluded for income tax purposes includes: certain types of interest payments, the first \$50 of dividends, one-half of all capital gains, various social security payments such as unemployment compensation, government old-age benefits, veterans' benefits and employer contributions on behalf of employees to retirement, profit-sharing and welfare plans. The personal exemptions are a flat \$600 per person in the family plus an additional \$600 for those who are over 65 years of age or blind. The various deductions include contributions to charity, personal interest payments, a number of taxes, losses due to fire or theft and certain medical expenses.

Because of these exclusions, exemptions and deductions, the rates in the tax schedule for individuals do not begin to tell the whole story. Taxable income is actually only about 40 percent of total income, and as a result the rate of taxes paid on total income—the real or "effective" rate—is much lower than the rates listed in the tax schedule.

Another reason why the proportion of total income collected under the progressive tax rates is smaller than would appear from the tax schedule is that income taxes are levied according to a "bracket" system. That is, a different tax rate is levied on each portion (bracket) of taxable income. Thus a person in the top bracket is not taxed at the rate of 91 percent on his entire income; he merely pays 91 percent on that part of his taxable income which is within the top bracket.

The taxable income of most taxpayers falls entirely within the lowest bracket; the higher rates apply to less than a third of the taxpayers. This means that more than two-thirds of the taxpayers pay taxes at the same rate—the lowest rate—and are completely unaffected by the progressive rate schedule.

This chapter will review the most important factors affecting the individual's income tax payment. These include the personal exemption, the schedule of tax rates and the many different types of deductions, exclusions and other special provisions that can affect the amount of tax an individual must pay.

THE PERSONAL EXEMPTION

The two deductions that principally affect workers and other low- or middle-income taxpayers are the personal exemption and the standard deduction. The taxpayer is allowed a personal exemption of \$600 for himself and each of his dependents. He is allowed a double deduction if he is over 65 or blind; these terms also apply to his wife. The needs of two taxpayers with the same income, one with four children and the other with only one, obviously are different, and so is their ability to pay taxes. The personal exemption is the easiest way to allow for these differences.

A taxpayer may claim as a dependent any person who receives more than half his support from the taxpayer and has less than \$600 a year income of his own (provided the person is a relative or is part of the taxpayer's household.) Children under age 19 and those 19 or over still attending school qualify as dependents no matter how much income they have, provided they receive more than half their support from the taxpayer. A child who has over \$600 income is entitled to a \$600 personal exemption

on his own tax return—this in addition to any exemption the parent may get for the child as a dependent.

The major justification for the personal exemption is that ability to pay taxes does not begin until one has a certain minimum income. In the congressional debates of 1913, when the income tax came into existence, it was said that the income tax "ought to leave free and untaxed as a part of the income of every American citizen a sufficient amount to rear and support his family according to the American standard and to educate his children in the best manner which the educational system of the country affords." ¹

Does the personal exemption leave untaxed an amount necessary "to rear and support" a family "according to the American standard"? The answer is "No." The Bureau of Labor Statistics prepares a "City Worker's Family Budget," which is designed to provide a "modest but adequate" standard of living for a family of four. Such a family would have a personal exemption of \$2,400; yet it would cost them about \$4,350 at 1959 prices to maintain the standard of living set forth by the bureau as adequate. The bureau standard is not a lavish one: its food allowance includes meat "several times a week"—if cheaper cuts are used; it makes no provision for a telephone in the home; and it provides for a used car six to nine years old.

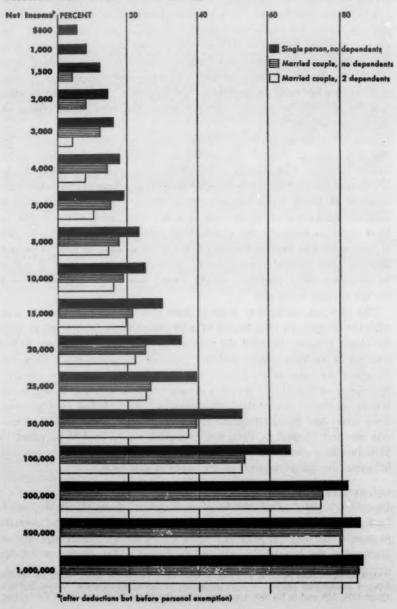
The personal exemption is lower now than at any time in the past with the exception of the World War II period when it dropped to \$500 for single persons. In 1929 the exemption for a single man was \$1,000 and for a married couple \$3,500. The rise in prices since then has decreased the value of the present exemption considerably. The purchasing power of the \$1,200 personal exemption of a married couple today is only one-fifth of that of the 1929 exemption. By mid-1960, the Consumer Price Index had increased approximately 23 percent since the \$600 exemption was first adopted in 1948; the exemption would have to be raised to \$740 just to represent the living standards of 1948, without any attempt to correct for the inadequacy of the figure at that time.

THE STANDARD DEDUCTION

In order to get the full benefit of such deductions as charitable contributions, excessive medical expenses, state and local taxes and interest payments, the taxpayer must list them on his income tax return. As an alternative, the taxpayer is entitled to deduct a flat 10 percent of his

¹U.S. Congressional Record, 63 Cong. 1 sess., 1915, L, Part 2, 1250. Cited by Martin Atlas, a Washington tax attorney, in his article "Personal Exemptions," Taxes, XXVIII (June 1950) 519, and in his 1959 testimony before the House Ways and Means Committee.

Rates of Individual Income Tax at Selected Not-Income Levels (1960)



income (but no more than \$1,000). This is known as the standard deduction taken by most taxpayers; only those with unusually large deductions go to the trouble of itemizing them.

Inasmuch as most workers and other low- and middle-income families take the standard deduction, any new deductions in the law are of little or no benefit to most of them. For example, in 1954 Congress liberalized the deductions for medical expenses. This would at first glance seem to be a valuable deduction for lower income families. In a large number of cases, however, these people found that unless their medical expenses were unusually large, they were better off taking the standard deduction; thus they received no benefit from the more liberal deduction.

THE RATE STRUCTURE

Income tax rates range from 20 percent to 91 percent. At the low end of the scale the 20 percent rate has been in effect since 1954. It applies to the first \$4,000 of taxable income (\$2,000 for a single person).

This rate has been altered several times in the past. During World War II the comparable rate was as high as 23 percent; during the Korean hostilities, it was 22.2 percent. In 1948-49 it was as low as 16.6 percent.

On approximately two-thirds of all tax returns the 20 percent rate is the only tax rate, and it is this minimum, levied on all taxable income, that accounts for over 85 percent of the entire income tax yield.

Many analysts viewing the U.S. tax rate structure have questioned the advisability of such a high tax rate for the lowest bracket of taxable income. There is an increasing body of opinion that this first bracket should be split in two and that a lower tax rate should apply to the first \$1,000 of taxable income.

Today's income tax schedule provides gradually increasing tax rates at intervals of \$4,000 of taxable income up to \$44,000, and at somewhat larger intervals after that. The 50 percent rate begins to apply at \$32,000 of taxable income (\$16,000 for a single person).

At the upper end of the scale the highest rate, 91 percent, applies to all taxable income over \$400,000 (\$200,000 for a single person). However, the tax law provides that not more than 87 percent of any person's income can be taken in income taxes.

It should be borne in mind that these high rates apply only after all deductions and exclusions, so that very few persons actually pay them. In 1957 only 1,173 income tax returns reported any taxable income subject to the 91 percent rate.

The high rates at the upper end of the tax schedule have been criticized

by business groups as being confiscatory and as reducing the incentives for effort and savings. This issue is discussed in an earlier chapter (See page 6). Observers generally have concluded that high taxes have not seriously reduced incentives to work, to save and to invest.

Another charge frequently made is that today's high rates of taxation have drastically reduced the number of families in the high-income brackets and have had an important leveling effect on the distribution of income in the U.S. Whether or not this would be desirable, it is not the case. The table below, showing the distribution of income in 1957 both before and after the income tax, points up the limited effects of progressive income tax rates in this area.

Distribution of Family Personal Income, Before and After Federal Income Tax, 1957 (IN PERCENTS)

Families Ranked	Distribution of Total	I Family Personal Income	
by Fifths According to Income	Before-Tax Income	After-Ter Income	
Top 5 percent of families	20.2	18.2	
Highest	45.3	43.6	
4th	22.3	22.7	
3rd	16.3	16.8	
2nd	11.3	11.8	
Lowest	4.8	5.1	

SOURCE: Selma F. Goldsmith, "Income Distribution by Size—1955-58," Survey of Current Business, April 1959, p. 16, table 10.

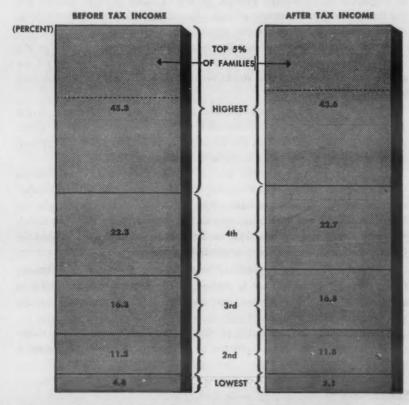
EXCLUSIONS, DEDUCTIONS AND CREDITS

For many people the only factors determining the amount of income tax payable to the federal government are those which have already been discussed: the personal exemption, the standard deduction and the schedule of tax rates. This is true for most workers and families whose chief source of income is wages.

If this were all there was to the individual income tax, it would be a simple matter. Instead, the law includes a multitude of additional provisions which exclude certain payments from income, allow numerous deductions, provide various tax credits and permit a wide variety of other practices affecting the individual's tax. Many taxpayers are completely unaware of these provisions, which for the most part do not apply to them. To others they mean the difference of hundreds, thousands or even hundreds of thousands of dollars in taxes.

Distribution of Total Family Personal Income (1957)

FAMILIES BY FIFTHS RANKED BY INCOME



A summary list of these provisions is given in Appendix Table I. Some of them have been part of the law for many years; others are relatively new. As they become more widely known, more and more people learn how to take advantage of them. Sometimes these provisions become determining factors in such decisions as investing savings or buying a house. These provisions affect people's lives in ways that were never intended by those who first enacted income tax legislation.

The general effect of these provisions, of course, is to reduce the amount of income tax that the federal government obtains. Many qualified experts have become alarmed at what has been called the "erosion" of the nation's tax base. In 1959 the House Ways and Means Committee

devoted most of two months to hearing expert witnesses discuss this "erosion" and what action Congress could take to remedy it.

Some of these special exclusions, deductions and credits provide benefits to taxpayers in all income groups. A few of them provide benefits for the low- and moderate-income groups. The most glaring special provisions, however, favor taxpayers in the upper-income brackets.

Low- and middle-income families receive most of their income in the form of wages and salaries. They normally pay the full rates called for by the tax schedule on their whole income (less personal exemptions and standard deductions.)

On the other hand, upper-income taxpayers receive a much larger proportion of their income from stock dividends, interest, capital gains, profits from oil, etc. Many of the exclusions, deductions and other special provisions apply to this kind of income.

In recent years Congress has enacted numerous special tax provisions which have made it easier for the individual in a higher income bracket to avoid paying his scheduled tax. The net effect of these provisions has been to open the way for many types of tax avoidance, compared to which any special tax benefits available to workers or other low- and middle-income taxpayers appear very small indeed.

A Princeton economics professor recently told the Ways and Means Committee that "our tax law is riddled by the benefits that are given to the wealthy, and for the most part the benefits that are given to the average man are negligible." ²

While it would be impossible in this book to review all of the many special tax provisions, it is important to call attention to the most serious of them.

CAPITAL GAINS

The most important of these many tax benefits is the special treatment for capital gains. Capital gains means the profit obtained from the sale of property such as stocks or real estate. One of the principal benefits to upper-income taxpayers, and the principal source of complexity in our tax laws, is the special treatment given to such profits. If a given asset has been held by an individual for longer than six months, only half of any profits from its sale need be counted as taxable income and the maximum tax rate that can be applied even to this half is 50 percent. Thus the effective maximum rate on capital gains is 25 percent. This means

^a Paul J. Strayer, "Treatment of Family Income," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. I, p. 588.

that capital gains earned by someone in the top bracket are not taxed at 91 percent, as would be income from other sources, but rather at 25 percent. In 1957, approximately \$4 billion would have been added to the tax base if capital gains were taxed in the same manner as ordinary income. This would have meant an increase in tax revenues of \$2.6 billion.

One problem that has been recurring with increasing frequency is the extension of the capital gains concept to cover many different types of income for which it was never intended. At the present time, for example, income from the following operations can be considered capital gains:

Cutting and disposal of timber; sale of livestock held for draft, breeding or dairy purposes; sale of land with unharvested crops; royalty payments for the production of coal, and lump sum payments (rather than regular recurring payments) from retirement plans.

Further, one can avoid paying any capital gains tax at all by holding property until death. For tax purposes, the property goes to the new owner at the value it has at the time of the inheritance. This means that the new owner may sell it immediately without paying even the lower capital gains tax. If he chooses to hold it, he can sell it later and pay tax only on any rise in price since the inheritance.

A somewhat similar situation prevails if the holder of a capital asset decides to give it away. In the event of a gift, the value of the asset for tax purposes is either the value at the time of original purchase or at the time of the gift, whichever is lower. This means that the accumulated capital gains at the time of the gift could eventually be taxed only if and when the asset is sold. By giving away the asset, the holder can delay for an extended period of time any collection of taxes on the accumulated capital gains. Moreover, if the asset is given as a charitable contribution, the holder can deduct the full value of the asset, including any accumulated capital gains, in computing his income tax for that year.

In 1957, approximately \$5 billion of otherwise taxable capital gains changed hands due to death, and were exempt from the capital gains tax. A noted professor of taxation of the University of Wisconsin has told the Ways and Means Committee that "probably four-fifths of all capital gains" fall outside the tax laws because they are transferred by gift or on death. It is estimated that taxation of unrealized capital gains on gift or death would provide a revenue increase of \$1.2 billion each year. This is in addition to

⁸ Harold M. Groves, "Taxation of Capital Gains," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. II, p. 1194.

the \$2.6 billion revenue increase that would come with the taxation of realized capital gains at the same rate as other income.

Who gets the benefit of the special treatment for capital gains? Very little of it goes to the ordinary citizen. Treasury statistics show that approximately 5 percent of those earning under \$20,000 a year have any tax savings from capital gains; the saving for this group averages about \$250 per return. Of those earning more than \$20,000, however, about half have tax savings from capital gains—for an average of about \$6,500 per tax return. The table below shows which income groups get the benefits of the special treatment for capital gains, and their average tax saving.

Tax Effects of Special Exclusion and Rates for Long-Term Capital Gains Income, 1956

Adlantad	Returns R					Total Ta	k Savings
Adjusted Gross Income Class (thousand \$)	Capital	Percent of All Returns		verage Tax svings		Amount	As Percent of Taxes Paid by All Taxpayers in Each Income Class
Under 3	296,374	2.4	\$	81	\$	24,006,000	1.3
3 under 5	486,121	3.3		107		52,015,000	.9
5 under 7	441,148	4.2		128		56,467,000	.9
7 under 10	434,331	7.6		191		82,957,000	1.4
10 under 15	337,223	17.6		313		105,551,000	3.1
15 under 20	153,172	30.7		575		88,074,000	5.8
20 under 25	86,864	37.0		841		73,053,000	6.9
25 under 50	160,030	46.2		1,808		289,334,000	9.6
50 under 100	53,817	60.4		8,081		434,895,000	20.4
100 under 150	10,208	72.6		28,619		292,143,000	41.3
150 under 200	2,972	77.3		54,993		163,439,000	55.0
200 under 500	3,304	82.0	1:	24,566		411,566,000	75.4
500 under 1,000	499	84.1	4	04,835		202,013,000	99.8
1,000 or more	218	81.3	1,4	53,442		316,850,000	109.92
TOTAL	2,466,281	5.3	8	1,051	\$2	592,363,000	7.9

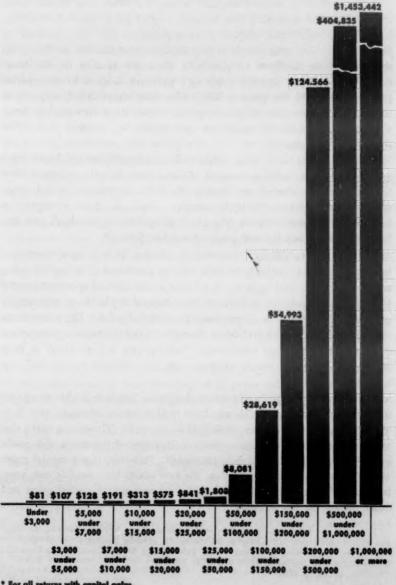
Tax saving computed as difference between tax payable at ordinary rates on average taxable income (average for all returns) in each gross income class and the tax payable after adding excluded capital gains. Allowance was made for proportion of single person returns filed in each gross income class. For gross income classes \$50,000 and over, an additional tax saving was included equal to the computed tax on the excluded amounts less 25 percent of average total long-term capital gains in excess of short-term loss.

2 Tax savings increase as the proportion of income represented by capital gains gets larger and

² Tax savings increase as the proportion of income represented by capital gains gets larger and the difference between the special capital gains rate and the ordinary income tax rate increases. At this income level, where the maximum tax rate is 91 percent, capital gains constitute over 50 percent of all taxable income reported, and the taxes saved actually exceed the taxes paid. SOURCE U.S. Treasury Department, Statistics of Income, 1956.

Several arguments are offered in defense of this special treatment for capital gains. The first is that capital gains are not really income at all, because they represent an increase in the value of capital. However, capital gains represent taxpaying ability, similar to other kinds of income. They give the individual additional funds which he can use for consumption expenditures or for investment. This was recognized by a subcommittee of the House Ways and Means Committee which in 1938

Tax Savings Resulting from Long-Term Capital Gains: Average Amount by Income Group (1956)*



said: "Capital gains constitute real taxpaying ability to the recipient no less than equivalent income derived from other sources." 4

Professor Groves recently testified before the Ways and Means Committee that "the boundary line between capital gains and other income is arbitrary, capricious, subject to manipulation and an invitation to litigation." 5 For example, if a corporation distributes its profits to its shareholders in the form of dividends, these are taxable to the shareholders as ordinary income (although they are subject to the special privileges that the law gives to dividends-more about this later.) However, if the corporation keeps the profits rather than distributing them, the price of the stock will usually go up to reflect this retained profit. The shareholder can then sell his stock at a profit; this profit is taxable at the lower capital gains rates. Thus ordinary income is easily turned into capital gains and its tax liability changed. Other, more complex schemes have been devised by shrewd tax lawyers in order to obtain capital gains treatment for various kinds of income. Some of these arrangements have added romantic names like the "collapsible corporation" and the "spinoff" to the usually dull pages of tax law journals.

Professor Groves testified that "much of what in the usual course of business would be ordinary income can be converted into capital gains and...much time and ingenuity is devoted to this form of tax avoidance." Many taxpayers attempt to have the law changed explicitly to put certain types of income within the magic category of capital gains. The government attempts to keep up with and defeat these moves. All this makes the law more complex and difficult to administer. Such activity will continue as long as we have, in effect, two tax systems—one for ordinary income and one for capital gains.

Another argument to justify the capital gains loophole is that the profit from the sale of property accumulates over a period of years, and it is unfair to tax it as if it were all earned in one year. Those who make this argument look on the capital gains tax as a way of averaging this profit over the period in which it is accumulated. However, if the capital gains tax were really an averaging device, the rate would be a flexible one, varying yearly for each person according to the amount of capital gains and other income he has received.

⁴ Report of the Subcommittee on Proposed Revision of the Revenue Laws of the Ways and Means Committee, 75th Congress, 3d session, 30, cited by Reuben Clark of the NY & DC bars in "The Paradox of Capital Gains," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. II, p. 1244.

^{*} Groves, op. cit., p. 1196.

^{*} Idem.

There is no relation between the capital gains tax and the average tax that would have been paid over the period of time that the increase in price occurred. Even if there were such a relation, this would ignore the fact that the taxpayer has had the interest-free use of what would otherwise be tax money over the period that the profit has been accruing.

A third argument for special treatment of capital gains is often advanced by those who wish to make the capital gains loophole even bigger by reducing the rate further, shortening the holding period or eliminating the capital gains tax entirely. This is the argument that investors are deterred from selling one kind of property and buying another because of the capital gains tax; and that, as a result, much money is tied up or "locked in" to uneconomic investment, and new businesses have a hard time attracting capital.

This argument ignores the facts. A recent study has shown that under the present tax laws "even with a 50 percent gain on his present holding, the potential seller subject to a 25 percent gains tax can (a) improve his income position by any switch promising a yield increase of one-half of 1 percent or more; (b) improve his capital position by any switch promising a differential gain of 10 percent or more; and (c) 'shake-out' the capital gains tax by selling and then buying back at any price $8\frac{1}{2}$ percent or more below his sales price." ⁷

Any reluctance to sell property and take capital gains probably owes more to the fact that such gains will not be taxed at all if the owner holds the property until his death.

There is no reason why capital gains income cannot receive basically the same tax treatment as income obtained through wages and salaries. On the other hand, it does seem logical to grant some recognition in the tax laws to the fact that capital gains income often has been accumulating over an extended period of time. It would seem logical, for example, to tax a capital gain that had been accumulated over a 10-year period as though one-tenth of that income had been gained in each year. This provision could well form part of any general revision of the capital gains tax structure.

STOCK OPTIONS

Stock option plans are a classic example of how the preferential treatment of capital gains income has been exploited to favor upper-income taxpayers.

Walter W. Heller, "Investors' Decisions, Equity and Capital Gains Tax," Federal Tax Policy for Economic Growth and Stability, U.S. Congress, Joint Committee on the Economic Report, November 1955, p. 381.

Under these plans, corporation employees—usually high-ranking executives—are permitted to buy stock in the corporation at a favorable price, normally below market value. If the stock is then held for six months, the profit on a subsequent sale is taxable at the lower capital gain rates.

One special advantage of the stock option plan is that the holder of the option does not have to exercise it at any one time. He can wait to see whether the price of the stock goes up. Then he can utilize his option at a price well below the market price and thus obtain a handsome profit without any of the risk normally associated with buying stock.

Another advantage is that he needs to exercise only part of his option at any one time. For example, an individual could utilize part of his option, and after six months sell the stock he has so acquired at a profit. He could then use this profit to buy the additional shares of stock due him under his option.

To cite a specific case, the Ford Motor Company in 1953 granted its chairman an option to buy 6,000 shares of Ford stock at \$315 a share. Between then and 1958, a stock split of 15 for 1 increased his option to 90,000 shares at \$21 a share. He bought the shares at this price, for a total investment of \$1,890,000. On December 31, 1959 these 90,000 shares were worth \$6.3 million more than their cost. If he sold the shares at this point, his profit, after taxes, would average out to more than \$670,000 a year for the period since the option was granted. He would have had to earn a salary of over \$5 million a year to have that much left after taxes.

The president of the Goodyear Tire and Rubber Company was also well-treated under his company's stock option plan. In 1950 he was given an option on 9,000 shares at \$59 a share. From 1952 to 1955 he exercised his option, paying a total of \$531,048. By the end of 1959, because of stock splits and stock dividends, the shares he purchased were the equivalent of 126,430 shares, worth \$5,284,732 more than he paid for them. If he had sold all 9,000 shares at that time he would have netted \$3,963,549 after taxes. His average profit for the nine-year period since the option was granted would have been \$440,394 a year. In order to have this much left from his salary after taxes, he would have had to earn more than \$3 million a year.

Nor are Ford and Goodyear the only companies that treat their executives well. More than half the companies listed on the New York Stock Exchange, and many unlisted companies, have such stock option plans. These are usually available only to upper income individuals, and cost the Treasury an estimated \$100 million a year. Some corporations, such as

the American Crystal Sugar Company, even provide interest-free loans to executives for their stock option purchases.

Even if the stock is not held long enough to benefit from the cut-rate capital gains tax, stock options still permit large profits with no risk. In an article in the July 1959 issue of *Harper's Magazine*, Bernard Nossiter pointed out that "U.S. Steel last year gave 120 of its executives options on 151,000 shares at \$55. This spring, the stock had risen \$40 a share above this. Any time a top Steel executive needed cash, he picked up his telephone, told the company treasurer to issue him a few thousand of his optioned shares, and told his broker to sell them at the market price. Thus, our executive cleared \$40 a share with two telephone calls—and without investing a cent of his own money."

What if stock prices go down after the option is issued? This happened to the Chrysler Corporation. Chrysler executives naturally did not use the options at the higher prices. Instead the corporation issued them new options at a price that permitted them to make a profit. Alcoa—the Aluminum Corporation of America—is another company that did the same. In 1956, Alcoa granted its executives an option to purchase 198,000 shares at \$117.25 a share. The market price of the stock dropped to 76 in 1957 and continued to decline in 1958. In March of that year, a committee comprising the six highest-paid directors and officers of Alcoa voted to exchange the old options for new ones at a price of \$68.50 a share. Four of the six members of this committee were in a position to benefit from this exchange.

The rationalization for this favored treatment for stock options is that they are not income, but rather are given to provide executives with an interest in the well-being of the corporation and an incentive to improve its profits. Presumably the executives' salaries also provide them with interest and incentive—yet these are subject to ordinary income taxes.

Stock options are particularly open to abuse because for all practical purposes they are voted into existence by those who benefit from them. Although such plans have to be approved at some point by the stockholders, this approval is usually routine. Some stockholders, however, have vigorously opposed stock option plans, because the exercise of stock options at less than the market price by the corporation's executives reduces the share of the business held by each of the other stockholders.

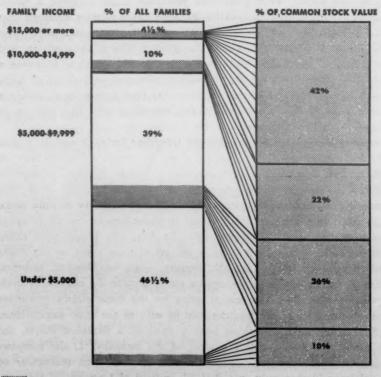
For example, in a business with a total of a thousand shares, the holder of ten shares owns 1 percent of the company. If the company executives then issue 100 additional shares to themselves, the holder of ten shares will then only own 10/1100, or 9/10 of 1 percent of the com-

pany. If these shares had been issued and sold on the open market, the company treasury would get enough cash to make up for this. But when the shares are sold to executives at less than the market price, all the other shareholders suffer a loss.

DIVIDENDS

Since 1954, dividends from stocks have received two types of special treatment. The first \$50 of dividend income (\$100 for married couples) is completely excluded from taxable income, and no income tax at all is paid on it. In addition to this dividend exclusion, there is also a dividend credit against taxes. This credit permits the taxpayer to deduct 4 percent of his remaining dividend income—not from his taxable income—but from his taxes. That is, a person with \$1,050 of dividend income pays tax on only \$1,000 of this income and can then deduct \$40 from the amount of

Concentration of Stock Ownership by Incomp Groups (1960)



Stock awners within each income group

taxes he owes the government. The dividend credit and exclusion costs the government over \$400 million dollars in tax revenue each year.

This special treatment violates the cardinal tax principle that all types of income should be taxed alike. Today each \$1 of dividends is taxed at a lower rate than each \$1 of wage and salary income.

Who is eligible for this preferential tax treatment? Relatively few American families own stocks and therefore have any opportunity to receive dividend income. A recent study by the University of Michigan Survey Research Center shows that in late 1959-early 1960 only 14 percent of American families owned any stock whatsoever in publicly-held corporations. The proportion was higher for families headed by a professional person or company official, but only 8 percent for families headed by a craftsman and only 2 percent for families headed by laborers or service workers.⁶

Ownership of but a few shares of stocks is of small value in making use of the preferential tax treatment for dividend income. The University of Michigan study makes clear the fact that the average stock-holding by low and moderate income families is quite small, while the larger holdings are concentrated in families with income of \$10,000 and over. In fact, it is estimated that the less than 6 percent of all families who have an income of over \$10,000 and are stockholders own 64 percent of the value of all stock. The accompanying table provides more information on stockholdings by income level.

Concentration of Publicly Traded Shareholdings in Various Income Groups

			Stack (
Income	% Distribution of Families	% Owning Stocks in Each Group	As % of All Families	As % of All Stock Owners	% Distribution of Total Value of Shareholdings
Under \$5,000	46.7	5.8	2.6	18.2	10
\$5,000-9,999	39.0	15.9	6.0	42.0	26
\$10,000-14,999	9.8	35.5	3.2	22.4	22
\$15,000 and ove	r 4.5	55.4	2.5	17.4	42
Total	100.0	14.3	14.3	100.0	100

SOURCE: Survey Research Center, University of Michigan, "Stock Ownership Among American Families," June 1960, Table 2. Mimeographed.

⁶ These findings are confirmed by a 1959 Census of Shareowners conducted by the New York Stock Exchange which indicates that shareowners comprise 6.8 percent of all craftsmen and foremen, 2.7 percent of operatives and laborers, and 4.1 percent of service workers ("Shareownership in America: 1959," New York Stock Exchange, p. 21).

Most dividends therefore go to upper income taxpayers. In 1956, the top 5 percent of taxpayers reported three-fourths of all dividends shown on tax returns. Those with incomes of \$100,000 or more, constituting less than 1/10th of one percent of taxpayers, received about one-fifth of all reported dividends. That year only 2 percent of taxpayers with incomes of less than \$3,000 claimed the tax credit, for an average benefit of \$17. More than 90 percent of those with incomes of \$100,000 or more claimed the credit, with an average tax saving that ranged from \$1,480 (for those between \$100,000 and \$150,000) to \$33,235 (for those over \$1 million). Distribution of the dividend exclusion was similar, with only 3 percent of taxpayers with incomes under \$3,000 claiming it, and more than 90 percent of taxpayers with incomes over \$100,000 claiming it. The table below gives a detailed breakdown of the tax savings by income group.

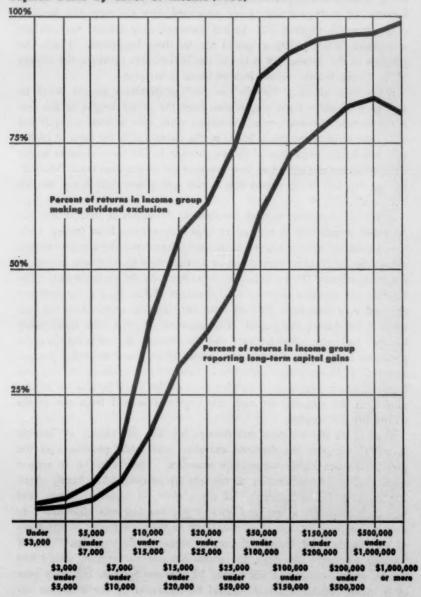
Dividend Exclusions and Credits, 1956 (Taxable Returns)

	Exclusion	16	Credits		
Adjusted gross income	Percent of returns In income group taking the exclusion	Average fax saved	Percent of returns in income group taking the credit	Average tax	
Under \$3,000	3.0	\$10	2.0	\$17	
\$3,000 under \$5,000	4.6	11	2.8	27	
\$5,000 under \$7,000	7.2	12	4.2	30	
\$7,000 under \$10,000	13.7	16	8.2	40	
\$10,000 under \$15,000	38.8	19	23.9	65	
\$15,000 under \$20,000	55.0	23	44.5	108	
\$20,000 under \$25,000	63.0	27	54.6	145	
\$25,000 under \$50,000	73.8	35	66.6	254	
\$50,000 under \$100,000	87.1	53	83.4	632	
\$100,000 under \$150,000	92.9	64	90.9	1,480	
\$150,000 under \$200,000	95.4	68	93.5	2,362	
\$200,000 under \$500,000	96.2	76	93.9	4,135	
\$500,000 under \$1,000,000	97.0	77	92.7	9,902	
\$1,000,000 or more	98.5	68	90.7	33,235	
Tetal	8.7	17	5.8	105	

SOURCE: U.S. Treasury Department, Statistics of Income, 1956.

The argument for special treatment of dividend income is that this income is taxed twice—once by the corporation tax while it is still in the hands of the corporation, and the second time by the income tax when it is distributed to the stockholder. This argument is by no means persuasive for a number of reasons. First, there are many kinds of double taxation. To mention only one, a person who pays income tax on his earnings and then uses what is left to buy a car, on which he pays a federal excise tax, is paying a double tax, but gets no special treatment. Second, the

Importance of Dividends and Long-Term Capital Gains by Level of Income (1956)



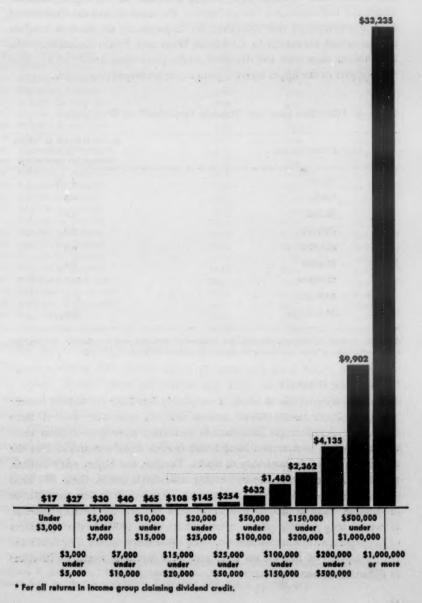
corporation tax may be considered a tax that is paid for the privilege of doing business as a corporation, which confers many benefits. The fact that bigness and high profitability are associated with the corporate form of doing business, suggests that, in our economy, corporations have certain advantages which justify a special tax on these businesses. Third, the purpose of the income tax is to tax the individual's earnings; the history of his income before it comes into his hands is irrelevant.

Aside from all this, "double taxation" of dividend income could be said to exist only if the corporation bore the entire weight of the corporation tax. However, most economists agree that at least some, if not all, of the corporation tax is borne by the consumer in the form of higher prices or by the employees of the corporation in the form of lower wages. Economists are not agreed on how much of the corporation tax is "shifted" in this way, but to the extent that it does take place, there is no "double taxation."

A related argument against taxation of dividends is that it has discouraged investments in stocks and kept corporations from issuing additional shares of stock. This, it is said, has forced corporations to borrow the money they need for expansion and has slowed down the economic growth of the United States. This assertion is contradicted by the available facts. The relation of corporate debt to total financial claims against corporations changed very little from 1928 to 1950, although the corporation tax rate quadrupled during this period. This indicates there is little relationship between the corporation tax rate and the amount of borrowing that corporations need to do. Further, the pattern of corporate financing has not changed significantly since the special treatment for dividends was enacted. Corporations are currently obtaining most of the funds needed for expansion from the amounts set aside for depreciation and from the profits retained in the business.

Even if all the evidence was disregarded and the reality of "double taxacion" accepted, the dividend exclusion and credit provisions of the present law are highly inequitable remedies. Their effect is to reduce substantially "double taxation" in the very top brackets, while hardly affecting it in the lower brackets. If there were no corporation tax, and the share of profits which now goes to pay the tax were distributed to stockholders, part of that share would go to the government in the form of the stockholders' individual income taxes on these profits. Thus if "double taxation" did exist, the excess amount of taxation would not be the entire amount of taxes paid by the corporation, but only part of it. Such "double taxation" would be measured by the difference be-

Tax Savings Resulting from Dividend Credit: Average Amount by Income Groups (1956) *



This, of course, would depend on the income tax bracket of the individual, and there would be much less "double taxation" in the higher brackets, where the individual tax rate is higher. Professor Daniel N. Holland of MIT has calculated this difference for taxpayers in the various brackets and presented his results to the House Ways and Means Committee. His calculations show that the dividend credit gives considerably more relief to taxpayers in the upper income groups (see accompanying table).

Effect of 1954 Tax Law on "Double Taxation" of Dividends

Level of Taxable Income	Persont Reduction of "Double Taxation" Resulting from Dividend Tax Credit of 4 %
\$1,000	4.6%
\$3,000	4.6
\$5,000	4.7
\$10,000	5.0
\$25,000	6.5
\$50,000	9.0
\$100,000	14.8
\$500,000	41.0
\$1,000,000	41.0

SOURCE: Daniel M. Holland, "Stockholder Differential, Taxation and Tax Relief," Tax Revision Compondium, House Ways and Means Committee, November 1959, Vol. III, p. 1558.

TAX-EXEMPT INTEREST

Interest on state and local bonds is completely free from the federal income tax. Taxpayers in the lower income brackets own very few of these bonds and therefore get little benefit from this provision. Studies show that ownership of state and local bonds is even more concentrated in the top brackets than is ownership of stocks. Further, the higher one's income, the more benefit one gets from holding tax-exempt bonds. State and local bonds yielding 3 percent interest give the taxpayer with less than \$2,000 of taxable income the equivalent of 3.75 percent in taxable interest. However, they give the person earning more than \$200,000 the equivalent of 33.33 percent in taxable interest. The table below shows how much the tax exemption of interest on state and local bonds is worth to investors in different income brackets.

Comparison of Yields of Exempt and Taxable Securities, 1959 (IN PERCENT)

F		If yield of exempt securities is—			
l'ax rute	Not income from taxable sources	3 percent Equivalent pretax yiel	4 percent id of taxable securi	5 percenties would be-	
20	Under \$2,000	3.75	5.00	6.25	
22	\$2,000 to \$4,000	3.85	5.13	6.41	
26	\$4,000 to \$6,000	4.05	5.41	6.76	
30	\$6,000 to \$8,000	4.29	5.71	7.14	
34	\$8,000 to \$10,000	4.55	6.06	7.58	
38	\$10,000 to \$12,000	4.84	6.45	8.06	
43	\$12,000 to \$14,000	5.26	7.02	8.77	
47	\$14,000 to \$16,000	5.66	7.55	9.43	
50	\$16,000 to \$18,000	6.00	8.00	10.04	
56	\$18,000 to \$20,000	6.38	8.51	10.64	
56	\$20,000 to \$22,000	6.82	9.09	11.36	
59	\$22,000 to \$26,000	7.32	9.76	12.20	
62	\$26,000 to \$32,000	7.89	10.53	13.69	
65	\$32,000 to \$38,000	8.57	11.43	14.29	
69	\$38,000 to \$44,000	9.68	12.90	16.13	
72	\$44,000 to \$50,000	10.71	14.29	17.86	
75	\$50,000 to \$60,000	12.00	16.00	20.00	
78	\$60,000 to \$70,000	13.64	18.18	22.73	
81	\$70,000 to \$80,000	15.79	21.05	26.32	
84	\$80,000 to \$90,000	18.75	25.00	31.25	
87	\$90,000 to \$100,000	23.08	30.77	38.46	
89	\$100,000 to \$150,000	27.27	36.37	45.45	
90	\$150,000 to \$200,000	30.00	40.00	50.00	
91	Over \$200,000	33.33	44.44	55.56	
52	Large corporations	6.25	8.33	10.42	

SOURCE: Moody's Municipal and Industrial Manual, 1959.

There are almost \$60 billion worth of state and local bonds outstanding today. Recent testimony before the Ways and Means Committee estimated that the tax-exempt interest on bonds owned by individuals amounted to \$600 million in 1957 with a resulting revenue loss of at least \$300 million. For corporations, the amount of tax-exempt interest earned in 1959 is estimated at \$730 million, with a revenue loss of about \$375 million.

In recent years, many states have issued so-called "industrial development bonds." The money raised by these bonds has been used to build factories and other facilities to attract new industry. This new industry is induced to move from other states by the availability of plants built with government money and often by the desire to escape decent working

^{*} Joseph A. Pechman, "What Would a Comprehensive Individual Income Tax Yield?"; William F. Hellmuth, "The Corporate Income Tax Base," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. I, pp. 263, 289.

conditions enforced by union agreements in the area it leaves. Thus the tax exemption for state and local bonds becomes a weapon of industrial pirates. These "runaway" firms often do not benefit the area to which they move, since such subsidies tend to attract small, poorly financed firms which do not contribute to a healthy expansion of industry in the community.

The exemption of interest on state and local bonds goes back to the early days of the income tax, when it was thought that a tax on such interest would be an unconstitutional infringement of the powers of the states and municipalities. Constitutional theory and the decisions of the Supreme Court in the last 20 years no longer support this view, however, and most authorities agree that the exemption of interest on state and local bonds is not required by the Constitution.

One logical argument for the exemption is that it makes it possible for state and local governments to borrow money at lower interest rates than they would otherwise have to pay. Although it is true that eliminating the exemption would raise the interest rates paid by states and municipalities, this increase would not be as large as some have estimated. State and local governments have had to attract investment funds from lower income taxpayers as the volume of their securities has increased. No longer can they appeal only to those interested in the tax-exempt feature. A recent study by the National Bureau of Economic Research bears out this conclusion. With the recent increase in local government borrowings, their interest rates have risen substantially. The study reported that tax exemption saved state and local government an average of less than three-fourths of one percent on the cost of interest during the five-year period 1951-1955.

In assessing the effectiveness of the tax-exempt feature for state and local bonds, the study concluded as follows:

"... It seems quite clear that the revenue lost by the federal government was two to three times the reduction of borrowing costs (to state and local governments). The differential between revenue lost and borrowing cost reduction was particularly great in the case of lower-grade obligations. The problem, therefore, was that those state and local government units most in need of good borrowing terms were least able to make full use of the privilege of tax exemption." 10

In any case, since the loss in tax revenue to the federal government resulting from this exemption is two or three times the savings to state and local governments, the present exemption is a very costly way to keep down interest rates on state and local bonds. There are far more effective ways

²⁰ Roland I. Robinson, "Postwar Market for State and Local Government Securities" 1960, National Bureau of Economic Research: Princeton University Press, p. 15.

for the federal government to assist state and local governments in financing their mounting expenditures (See CHAPTER EIGHT.)

INCOME SPLITTING

A husband and wife have the privilege of combining their income into a single joint return even if only one of them received income. In effect, each pays tax on half the total. The result of this "splitting" of total income is usually to reduce their total tax bill. For example, consider a couple with \$14,000 in taxable income all earned by the husband. If he were to pay taxes on this as a separate income the tax would be \$4,260, computed as follows:

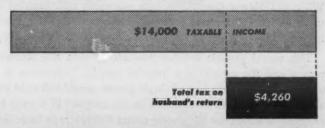
Husbo	ınd-	tax	on \$14,000	of taxable	income	\$4,260
Wife-	-none	, .				none
Total	tax	on	husband's	return	v 1 45	\$4,260

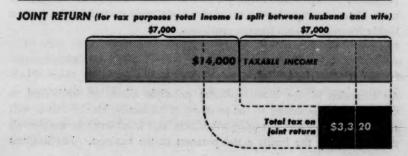
If, however they file a joint return, they would pay \$3,320 in taxes:

Husband-tax on \$7000		\$1,660
Wife-tax on \$7000	State of the	\$1,660
Total tax on joint return		\$3,320

Advantage of Income Splitting on Joint Return

INDIVIDUAL RETURN (husband has total family income)





Since the advantage gained from income splitting lies in the fact that it puts the taxpayer into a lower bracket, the advantage increases as income increases. A couple with total taxable income of \$4,000 saves \$40 (or 1 percent of income) through income splitting; a couple with a taxable income of \$400,000 saves \$25,180 (or 6 percent of income). The person with 100 times as much income saves more than 600 times as much tax money. On the other hand, an income tax return with less than \$2,000 of taxable income (roughly the equivalent of \$5,000 in total income for a family of four) gets no tax advantage at all from this provision. Most of the tax returns in the U.S. are in this category and thus get no benefit from income splitting. Elimination of this advantage could net an additional \$4 billion a year in taxes.

Income splitting was permitted by Congress in 1948 to eliminate the discrimination in favor of couples who lived in the eight states with community property laws. Families in those states were able to split their income for tax purposes while families in other states could not. Congress removed this discrimination by extending the same privilege to all married couples no matter where they lived.

However, eliminating the income-splitting provision would not require a return to the discrimination that prevailed prior to 1948. It is possible to eliminate this discrimination in another way. Witnesses before the Ways and Means Committee have suggested that married couples continue to file joint returns, but that the tax table for married couples have tax brackets half as large as the brackets for single couples.

This would provide a fairer relation between the income of a single person and the income of a married couple. Differences in the method of taxing married couples and single persons would still exist since additional exemptions would be available to the couple. If it were felt that such exemptions would not adequately reflect differences in basic living expenses for married couples and single persons, it would be far better to provide more liberal exemptions for married couples than to retain the present highly inequitable split-income provisions.

PAMILY INCOME SPLITTING

An extension of the income-splitting principle allows an individual to divide his income among all the members of his family, his children as well as his wife. For those operating a business, this is achieved by making all the members of the family equal partners in the business. The business

mcome is then divided among the members of the family, putting the income into a lower tax bracket. A man whose business yields a profit of \$50,000 a year would pay taxes of \$18,294, if he had a wife and two children, filed a joint return (thus getting the advantage of income-splitting) and took the standard deduction. By making his wife and two children partners in his business, he would cut his total tax to \$9,736, or almost in half.

Somewhat similar treatment can be obtained with regard to income from securities such as stocks and bonds. Ownership of the securities can be divided among one or more children, with the result that the income from the securities becomes income to the child rather than to the parent. So long as the parents still contribute more than one-half the cost of supporting the child, they can continue to claim the dependency exemption for the child until he has reached the age of 19 or longer if the child continues in school. However, the child's income, including income from the securities, does not have to be reported unless it is more than \$600 when it becomes taxable, begining with the lowest rates in the tax schedule. The tax savings can be sizable for families in the upper-income brackets who hold substantial amounts of securities which they can transfer to their children.

Tax Savings from Family Income Splitting *

Income	Tax Due without Family Income Splitting	Tax Due with Family Income Spiitting	Tax Saving from Family Income Splitting
\$ 5,000	\$ 416	\$ 412	\$ 4
10,000	1,572	1,312	260
20,000	4,124	3,252	872
40,000	12,718	8,384	4,336
80,000	37,134	25,648	11,586
160,000	97,686	72,544	25,142
320,000	238,580	195,696	42,884
640,000	528,766	477,520	51,246
\$1,280,000	\$1,111,346	\$1,058,256	\$53,090

^{*} Assuming a family of four filing a joint return and taking the standard deduction.

The table above shows how these arrangements are of greatest benefit to upper-bracket taxpayers. A man who has income of \$320,000 saves almost 11,000 times as much as a man who has an income of \$5,000, although the larger income is only 64 times as much as the smaller. Workers, of course, get little benefit from these provisions since they seldom operate their own business or have sufficient securities to make any transfer of ownership worthwhile.

EXPENSE ACCOUNTS AND OTHER PRINGE BENEFITS

Recent testimony before the Ways and Means Committee cited the growth of the expense account as a method of financing personal expenditures at the expense of the government. Corporation executives have company automobiles and airplanes available for their personal use and have lavish expense accounts which enable them to charge off as "entertainment expenses" the cost of theatres, sports events, nightclubs and restaurant meals. Company facilities are available for private vacations for such executives and often for their families. The courts recently held that a big-game hunter and his wife could charge the cost of a six-month African safari to his milk business because films that he took while on the safari might be used to promote this business. Not only are such expenses paid for, but taxpayers' gifts to others have been paid for by their businesses. A well-known movie actress, for example, had her business pay for a \$920 silver tea set and coffee pot she gave her dialogue director and an \$810 gold necklace she gave her dress designer.

Expense account spending has been conservatively estimated at \$5 billion a year, much of it with no legitimate business purpose, and with a consequent tax loss to the government of \$1 to \$2 billion a year. 11 The Treasury has become so concerned about the illegitimate use of expense accounts that it is making a special attempt to crack down on them. Additional enforcement of this kind is difficult for the Internal Revenue Service because its staff is so small.

Very few wage earners enjoy the benefits of expense accounts. However, they do gain from the tax treatment granted various fringe benefits, including employer contributions to retirement funds, health and welfare funds, etc.

The extent of such tax benefits should not be exaggerated. Only about 40 percent of all wage and salary workers in private industry are covered by employer-contributed retirement funds. Less than half are covered by regular medical plans, and only two-thirds by hospitalization programs.

Employees also make major contributions to these plans. In 1958 it is estimated that employees contributed \$710 million to retirement funds alone, all of which is subject to the individual income tax.¹²

While the total contributions by employers to these plans amounts to several billion dollars, this is spread over the entire workforce, including

¹¹V. Henry Rothschild and Rudolph Soberheim, "Expense Accounts for Executives," 67 Yale Law Review 1863 (July 1958).

²⁸ Alfred M. Skolnik, "Employee Benefit Plans, 1954-1958." Social Security Bulletin, March 1960.

those with and those without taxable income. Many workers never receive any monetary income as a result of their employers' contributions. In the typical retirement plan, for example, many workers never receive benefits because they change jobs, continue working beyond retirement age or die before receiving any payments. When retirement payments based on employer contributions are received, they are taxable as income.

The present tax treatment of employer contributions to retirement, health and welfare funds is a recognition by Congress that such plans are desirable ways to meet the risks of old age, sickness and unemployment.

It is important to note that such favorable tax treatment is not provided merely for the asking. Each plan has to be approved individually and has to meet specific standards promulgated by the Internal Revenue Service. In particular, the plan must not discriminate in favor of any one group of employees.

There is danger that this favorable tax treatment which should be confined to retirement plans meeting strict tests will spread to other plans which are not truly retirement plans but become mere convenient arrangements for savings.

There are a number of complex tax questions involved in retirement plans. One of them concerns provisions in many pension plans allowing an individual to obtain a lump sum cash settlement on attaining a certain age or on termination of his employment in place of receiving a regular monthly pension for the rest of his life. Present tax rulings grant an incentive for such lump sum cash payments because if they are made within one taxable year they are treated as long-term capital gains and thus are taxable at a maximum rate of 25 percent. Many corporate executives have taken advantage of this tax benefit. There is little logic to this ruling since such lump-sum payments involve no sale or exchange of capital assets. Instead, such settlements should either be prohibited entirely or at least they should be considered as ordinary income subject to the regular rates in the tax schedule.

Another tax issue in the field of retirement plans involves the selfemployed businessman. Many self-employed professional groups have been urging Congress to provide favorable tax treatment for funds which they can set aside for their retirement. However, the program that they have been supporting would provide far more favorable tax treatment than is currently received by employees under corporate pension plans. PAYMENTS RELATING TO SICKNESS, RETIREMENT, INJURY AND DEATH

Payments related to sickness, retirement, injury and death are generally not taxable as income. This rule applies to some private arrangements such as life insurance payments and death benefits paid by employers. It also applies to government payments under the social security, unemployment compensation and workmen's compensation systems.

The amount of these benefits has grown substantially in recent years. In 1958 total life insurance payments for retirement and death were \$7.2 billion; insurance benefits and assistance payments under the federal social security act, \$11.6 billion; state unemployment benefits, \$4.0 billion, and workmen's compensation payments, \$1.1 billion.

The reason for not taxing these payments lies in their basic nature. Essentially they are made to supplement income at a time when the recipient has incurred heavy expenses (due to illness or injury) or when other income has been seriously reduced or wiped out (due to unemployment, retirement or death).

There are several different types of government payments. The largest single program provides benefits under the federal old age, survivors' and disability insurance program. The tax issues involved in this program are discussed in more detail in CHAPTER SEVEN. Here it is sufficient to note that contributions to the federal social security fund are paid half by employers and half by employees. The employee contributions are paid from wages on which regular income taxes are paid. None of the benefits is considered taxable income.

Other government payments come from funds to which employers alone have made contributions. This is true, for example, of unemployment insurance and workmen's compensation payments. In their early years, most of their beneficiaries had little additional income and would not have been subject to the income tax even if the benefits had been included as taxable income. More recently, as the government programs have grown they have come to include many whose total income outside of these payments is taxable. However, the tax exempt feature has, in effect, become an integral factor in determining the level at which these government benefits are set. If these payments were suddenly to be made taxable, serious inequities would result unless at the same time the benefit level was raised to make up the difference. This would be particularly difficult for such programs as unemployment insurance and workmen's compensation where the level of benefits is set by state legislation.

The tax treatment of these government security programs has tended

to affect the tax status of certain comparable payments made under private plans. The special retirement income tax credit enacted in 1954 was designed to give individuals with private retirement incomes a degree of tax equality with those receiving tax-exempt social security benefits. This credit is reduced by the amount of any social security benefits received.

Another 1954 change was to make a blanket exemption of the first \$100 per week of sick pay, whether or not paid out as benefits under a specific insurance contract. Previously, ordinary wage and salary continuation plans had not been able to qualify for exemption as "insurance."

In a somewhat different category but still considered in the group of government payments are a variety of benefits paid to servicemen and veterans. Here the general concern for those who are serving or have served in the armed forces has been the basis for granting tax-exempt status. Today, military disability pay and pensions, various types of military allowances, mustering-out payments, veterans benefits and veterans readjustment payments are all excluded from taxable income.

According to the basic theory of taxation, all payments of this type should be included as income subject to tax even though, as previously indicated, they are generally made to alleviate personal hardship. To reverse present practice and now consider these payments as taxable income would be equivalent to cutting the value of such payments to the individual. Conceivably, it might be possible to take two actions simultaneously: 1) declare the payments taxable and 2) raise the level of the individual payment to compensate for the loss in taxes. The complex nature of this problem requires greater study of the tax status of each program, but it is clear that no action should be taken that would reduce the value to the individual of the various payments under the social security system.

PERSONAL DEDUCTIONS

Personal deductions cover a wide range of individual disbursements, the most common being contributions to charity, interest and tax payments and certain medical expenses. Many of these have been part of the income tax system since it began.

The deductions fall into several different categories. The first group covers unusual and necessary personal expenditures. The deduction for extraordinary medical expenses is the best example of this group. Such expenses are often unpredictable and may exhaust a large proportion of the taxpayer's total income so that, within limits, Congress permits a special deduction for them. Another type of deduction in this group is

that for non-insured losses due to fire, theft, accidents or other type of casualty.

The second group of deductions involves expenses incurred in earning income. Such deductions are required because it would be obviously unfair to tax a person on the expenses he must necessarily undertake in order to earn his income. However, the extent of such deductions is rather narrowly defined, including such items as union dues, work clothing and the rental of safety deposit boxes to hold certain income-producing securities.

Another example in this category is the deduction for child care enacted in 1954. This deduction, too, is very closely limited. Under this provision, working mothers (as well as men who are widowed, separated or divorced) are allowed to deduct up to \$600 for the cost of child care, but the deduction is reduced or eliminated for a working wife if she and her husband have a combined income of more than \$4500. Because of its restricted scope, this provision benefits only a limited group of taxpayers.

A third group of deductions has the effect of subsidizing particular groups of taxpayers. One favored group consists of the homeowners, who are allowed to deduct real estate taxes and interest payments on home mortgages. Because these payments are often quite sizable, homeowners generally find it advantageous to itemize their deductions instead of using the standard deduction. These benefits to homeowners are defended on the ground that it is socially desirable to encourage home ownership in America.

Deductions for charitable contributions also provide special status for charitable, religious, scientific, educational and other non-profit organizations. This special treatment is generally accepted as beneficial in order to encourage private philanthropy. The deduction for interest on personal loans can be considered a type of subsidy for those who lend money but it was originally intended to provide some relief for those forced to borrow money.

Also deductible are the various income and sales taxes paid to state and local governments. The deduction for state income taxes is needed to adjust the claims of both the states and the federal government to tax the same income. In the highest tax brackets, the deduction is actually necessary to prevent the combined rates for federal and state income tax from becoming confiscatory. For example, if a taxpayer's income were subject both to the 91 percent rate as well as a state rate of higher than 9 percent, the combined rates would be over 100 percent.

Deductions are also permitted for other types of state and local taxes,

including sales and excise taxes. Deductions for federal excise taxes were eliminated in 1943 but deductions for similar state and local taxes were continued, largely because of heavy pressure from state and local government officials.

Many of these personal deductions have only the weight of history to recommend them. Whatever logic originally supported their enactment no longer necessarily applies. All of them should be subject to close scrutiny in any revision of the tax structure to determine which of them could be reduced or eliminated. They involve the loss of substantial amounts of revenue (over \$8 billion) 18 and to the extent that any of this can be recaptured, it would make possible tax reductions elsewhere.

UNREPORTED INCOME

The family that receives all or almost all of its income from wages and salaries pays its income tax in full almost automatically. This results from the withholding system which very efficiently removes the income tax before the worker receives his paycheck. In contrast, income from dividends and interest, and the income of the self-employed such as farmers, professional persons and individual businessmen, is not withheld in advance. Much of this income goes to upper-income earners (with the exception of interest, a good deal of which goes to lower-income earners in the form of savings bank interest).

How much income is not reported? A number of special investigations have attempted to answer this question by analyzing the statistics available for different types of income.

The most recent and authoritative study in this field has been done by the U.S. Treasury Department. This study provides detailed calculations for dividend and interest payments and concludes that \$1.1 billion in dividends was not reported on income tax returns in 1956, the latest year for which complete data are available. The figures for interest payments are less complete but the Treasury estimates that total unreported interest for 1957 was between \$2.9 and \$4 billion.

The table on the next page, showing the amount of unreported income in each category, was compiled from these figures and from material prepared by other experts.

The evidence from this table is very clear. The withholding system for wages and salaries is responsible for the fact that only 3 percent of all wage and salary income is not reported. Further, most of this unreported

²⁸ C. Harry Kahn, "Personal Deductions in the Individual Income Tax," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. I, p. 405.

Proportion of Income from Various Sources Not Reported on 1957 Tax Returns

(BILLIONS OF DOLLARS)

Source of Income	Total Payments to Individuals	Amount Accounted for on Tax Returns	Amount not Reported on Tax Returns	Percent of Total net Reported
Wages & Salaries	\$234.2	\$227.1	\$7.1	3.0
Dividends *	10.0	8.9	1.1	11.0
Interest	6.8-8.0	4.0	2.9-4.0	41.2-50.0
Entrepreneurial Income	39.8	29.7	10.1	25.4

^{* 1956} data.

SOURCE: Data for dividends and interest from Letter by Fred C. Scribner, Jr., Under-Secretary of The Treasury, to House Ways & Means Committee, November 13, 1959, Income Tax Revisions, Panel Discussions Before the House Ways and Means Committee, pp. 105-106. Figures on interest payments calculated on two different bases. Data for wages and salaries and entrepreneurial income from C. Harry Kahn, "Coverage of Entrepreneurial Income on Federal Tax Returns," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. 2, pp. 439-1459.

income would not be taxable since it is largely paid to two groups of workers not covered by withholding—domestic servants and farm laborers, whose low incomes would not yield much taxable revenue anyway.

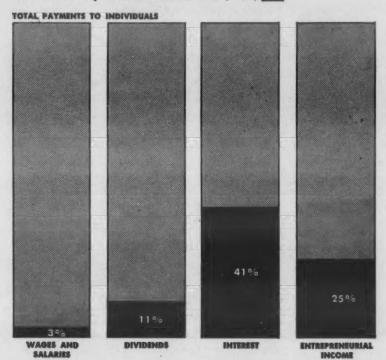
The proportion of nonreported income of other types is substantial. The highest total amount is for entrepreneurial (self-employment) income, where over \$10 billion is not reported on income tax returns. The highest proportion is for interest income, with almost half unreported. If this unreported income had been included on income tax returns, it is estimated that the government would have received the following additional revenue:

Loss in Revenue from Unreported Income (BILLIONS OF DOLLARS)

Type of Income	Annual Loss in Revenue from Underreporting
Dividends	\$0.3
Interest	0.7-0.9
Entrepreneurial Income	\$1.0-2.0

SOURCE: Daniel M. Holland, "Unreporting of Dividends and Interest on Tax Returns," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. 2, pp. 1402, 1420. Figure for entrepeneurial income estimated by AFL-CIO Research Department.

Thus the government is losing a total of \$2-3 billions in revenue as a result of this non-reporting.



The large amount of unreported dividends and interest points to the need for a withholding system for these classes of income. Efforts to persuade Congress to enact such a withholding system have been made since the beginning of the withholding tax on wages and salaries. The House of Representatives has twice approved such a system. The Senate has not, because of a feeling that it would be too complicated. Recent testimony before the Ways and Means Committee, however, outlined a system that would be simple and workable and would merely add a few lines to the income tax return. Under it, a bank, corporation, or other institution paying interest or dividends would simply withhold 20 percent of all such payments and remit it to the government. The taxpayer would adjust his income tax return accordingly; any excessive withholding would be refunded in the same way that excessive withholding from wages is refunded. Special provisions would be made for elderly persons and others

²⁴ Joseph A. Pechman, "Withholding for Interest and Dividends," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. II, pp. 1479-1498.

with limited means who receive a large portion of their income in the form of dividends and interest. Tax-exempt organizations and other non-taxable entities would be permitted to file a refund claim regularly; the form for this claim need be no more complicated than the card-size farmers' claim for refund of taxes paid on gasoline used on farms.

ENFORCEMENT

The workload of the Internal Revenue Service has increased greatly in recent years, yet it now has fewer employees than it had in 1949. The government is checking fewer tax returns today than it did 10 years ago. Attempts by the service to get more funds for enforcement personnel have repeatedly failed due to opposition in the executive branch and in Congress, although studies have shown that every dollar spent on additional enforcement personnel yields \$10 to \$12 in increased tax revenue. This inadequate enforcement is of primary benefit to upper income tax-payers, a great portion of whose income is not withheld in advance.

SUMMARY

The individual income tax is not as progressive as it appears, because its rates do not apply equally to all kinds of income. Certain kinds of income, most of which go to high income taxpayers, are taxed at lower rates than wages and salaries or are not taxed at all.

Especially favored types of income include capital gains, dividends, interest on state and local bonds, and income from mining and oil businesses. (See Appendix Tables F and G for a summary of the differing importance of various types of incomes in different income brackets.) The result of these special provisions is to reduce sharply the effectiveness of the progressive schedule of tax rates. Upper-income taxpayers actually pay substantially less than the rates which presumably apply to their income. The income tax takes a much smaller "bite" out of everyone's income than is generally realized. (See Appendix Table H.)

In too many instances, new tax legislation has dealt with loopholes and special privileges by widening them to cover additional situations, rather than by closing them off to all. A prime example is the provision for income-splitting, the biggest of all revenue-losers for the government. Depletion allowances have been extended to virtually all "extractive" industries, and the definition of capital gains has been twisted to cover a variety of other kinds of income.

As the accompanying table shows, a number of the special privileges now included in our tax laws cost the United States over \$12 billion in tax

revenues each year. The workingman is not the only person discriminated against by these special privileges. Rather, all persons whose income comes primarily in the form of wages and salaries are unfairly treated by tax laws that do not give equal treatment to equal amounts of income earned in different ways.

Revenue Loss Resulting from Special Tax Privileges for Individuals Estimates for 1957

(BILLIONS OF DOLLARS)

Elimination of This Special Privilege	Would Increase Tax Base by This Amount	Would Increase the Annual Tax Yield by This Amount
1. Capital Gains		
Special rate for long-term gains	\$ 3.7	\$ 2.6
No tax on transfer of capital gains at death or by gift	5.0	1.2
2. Dividends		
Credit	-	0.3
Exclusion	0.3	0.1
3. Tax-Exempt Interest	0.6	0.3
4. Income Splitting		4.0
5. Family Income Splitting	0.3	0.1
6. Percentage Depletion & Exploration	&	
Development Costs	0.4	0.2
7. Expense Accounts	5.0	1.0
I. Unreported Income		
Dividends	1.1	0.3
Interest	3.4	0.8
Entrepreneurial	10.1	1.5
TOTAL	\$29.9	\$12.4

SOURCE: Joseph A. Pechman, "What Would a Comprehensive Individual Income Tax Yield?" Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. 1, p. 279. Additional data relating to family income splitting, expense accounts and unreported dividend, interest and entrepreneurial income from sources already cited.

Note: This table itemizes only the most flagrant examples of tax privilege. Many other changes in the tax laws, such as the reduction or elimination of certain personal deductions, would add substantial amounts to the tax base and to the yield of the tax system.

FOUR The Corporation Income Tax

THE CORPORATE INCOME TAX provides an equitable method of raising government revenues. It ranks second in terms of revenue among the taxes levied by the federal government, currently yielding approximately one-fourth of all revenues. It has been the center of almost as much controversy as the individual income tax and has become one of the most involved pieces of legislation on the statute books.

HISTORY OF THE TAX

The history of the corporation income tax approximately parallels that of the individual income tax. Civil War taxes included certain levies on gross receipts of corporations and a corporation income tax was included in the unsuccessful income tax law of 1894. In 1909, four years before the Sixteenth Amendment to the Constitution was adopted, taxation of corporate income was successfully introduced into the federal revenue system on a permanent basis. Constitutional objections were overruled by the Supreme Court in 1911 on the ground that the tax was an "excise tax" on the privilege of doing business.

During World War I the corporate tax rate rose from its original 1 percent level to 12 percent, and the nation's first "excess profits" tax was enacted to recoup abnormal profit gains arising out of wartime conditions.

In the 1920's and early 1930's corporate tax rates were fairly stable, varying only between 11 and 13 percent, and were applicable on a flatrate basis. In 1935 a "graduated" tax was adopted, providing a range of 121/2 to 15 percent. The Revenue Act of 1936 introduced a special tax on undistributed net income (that is, income not paid out in dividends to corporation stockholders) and broadened the range of tax rates, so that rates varied from 8 to 15 percent. By 1939 the undistributed profits tax had

been repealed; graduated rates (12½ percent to 16 percent) applied only to corporations with income under \$25,000, while larger income corporations paid 19 percent.

Revenue legislation in the defense period 1940-42 increased corporation income tax rates by more than 50 percent and introduced a wartime excess profits tax providing rates up to 89.5 percent. After the war the excess profits tax was repealed and corporate tax rate was fixed at a flat 38 percent.

The present two-bracket tax rate structure dates from Korean War legislation of 1950-51. The 1951 Revenue Act established the present rates of 30 percent on corporate income up to \$25,000 and 52 percent on income over \$25,000. A third wartime excess profits tax (retained until 1954) brought combined rates on excess profits to 82 percent, with an overall ceiling of just under 70 percent on all income.

Rate reductions in the 1951 schedule have been repeatedly postponed but corporations have benefited from other changes such as the more rapid write-off of depreciation allowances provided under the tax legislation of 1954.

The corporation income tax remains the second largest source of federal revenue, currently providing about one-quarter of the total. Most of this tax is paid by a few large corporations. Eighty percent of the corporations filing tax returns have incomes below \$25,000, but they account for only 5 percent of total corporate income. On the other hand, only 6 percent of the corporations filing returns have incomes above \$100,000, but this 6 percent (approximately 30,000 corporations) accounts for nearly 90 percent of total corporate income.

Although complaints are occasionally heard that corporate tax rates are too high, these rates have been generally accepted and there is little active effort, even by businessmen, to change them. Despite the tax, corporate profits have risen and corporations have been able to accumulate ample funds for investment. The corporation tax has provided from one-sixth to one-half of federal tax revenues since its inception, and business has become accustomed to it. As can be seen by the table on page 56, the proportion of federal revenues provided by the corporation tax in the past 30 years has varied between 15 and 35 percent, depending largely on the relative prosperity of the corporate section of the economy.

EROSION OF THE CORPORATE TAX BASE

The general trends affecting the corporate income tax base have been very similar to those already discussed with regard to the individual income

Corporate Income Tax As a Percent of Total Federal Revenues, 1930-1959 (MILLIONS OF DOLLARS)

Your		Total Federal Revenue	Corporate Income Tax	Corporate Tax as Percent of Federal Revenue
1930		3,627	1,263	34.8
1935		3,551	572	16.1
1940		6,439	1,123	17.4
1945	Pulled French	43,848	15,146	34.5
1950		38,827	10,448	26.9
1955		64,611	17,861	27.6
1959		77,512	17,309	22.3

SOURCE: U.S. Bureau of the Budget and U.S. Treasury Department

tax. As a result of various Congressional enactments there has been a gradual erosion of the corporate tax base. Currently, \$10 to \$15 billion of corporate income is not included in the tax base.

Some of the tax escape provisions of the individual income tax also apply to the corporate tax. Interest which corporations receive from state and local bonds, for example, is not taxed. The preferential treatment for capital gains is enjoyed by corporations as well as individuals.

In addition there are a host of special provisions that exclude certain payments from corporate income or raise the level of corporate expenses which can be deducted before net income is determined. The table on page 57 lists the major factors responsible for the erosion of the corporate tax base and provides estimates showing the resulting loss of revenue. The most important of these provisions are discussed in the following sections of this chapter.

DEPRECIATION

One allowable business expense is depreciation, that is, the decline in value of property because of wear or obsolescence. The simplest way of computing the depreciation is the "straight-line" method of dividing it evenly over the life of the property. Take, as an example, a typewriter which costs \$150, can be used for 10 years and can then be sold for \$20. The total depreciation after 10 years will be \$150 minus \$20, or \$130. Division by 10 gives a depreciation allowance of \$13 a year. Uniform straight-line depreciation rates for different types of property were adopted by the Internal Revenue Bureau in 1934 after a Congressional investigation showed that some corporations were evading taxes by manipulating depreciation deductions.

Major Factors Reducing Yield of Corporate Income Tax, 1959 (MILLIONS OF DOLLARS)

	Amount Excluded From Tax Base	Estimated Loss of Revenue
Exclusions from Income		
Tax-exempt Interest	\$ 730	\$ 370
Other	870	•
Excessive Deductions		A 9 20 A 10 A 10 A
Depreciation	3,550	1,800
. Depletion Allowances	3,000	1,250
Exploration & Development Expenses	1,750	•
Other	500	
Preferential Rates		•
Capital Gains	3,500	790
Total	\$13,900	\$5,340

* Not available

SOURCE: William F. Heilmuth, Jr. "The Corporation Income Tax Base," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. I, p. 313.

Dr. Hellmuth's figures have been modified only to the following extent:

1) An estimate for loss of revenue from excessive depletion allowances was obtained from The Federal Revenue System: Facts and Problems, 1959, Joint Economic Committee, p. 92.

2) The Item for "Expense Accounts" has been excluded because it has been considered in the chapter on the Individual Income Tax (See page 44). Consequently, an estimated \$750 million was subtracted from the total revenue yield listed by Dr. Hellmuth.

3) Dr. Hellmuth did not estimate the 1959 revenue loss from tax exempt interest held by corporations and from the depreciation provisions. The estimates for these items were based on his estimates of the amounts excluded from the tax base.

Since 1954 Congress has permitted corporations to use other methods of computing depreciation. (See pages 58 and 59 for explanation of these methods.) These allow deductions for two-thirds to three-quarters of the cost of property in the first half of its life. Supporters of this liberalized depreciation contended that in the long run it results in no loss of tax revenue from any one company which is installing new plant and equipment at a constant rate. This is because higher deductions in the first half of any property's life would be matched by lower deductions in the second half. However, for a growing company, the total depreciation allowance will increase until growth stops. Even for those companies whose growth has ceased, the postponement of tax liability from the early to the late years of the life of a piece of equipment amounts to an interest-free loan of the tax money that is due to the government. The value of such a loan may be considerable for a single company; for the entire economy, it amounts to many hundreds of millions of dollars.

The business economy as a whole is never obliged to take the lower depreciation deductions that in theory make up for the initial higher ones. New investments are constantly being made; these new investments always

Methods of Computing Depreciation Allowances

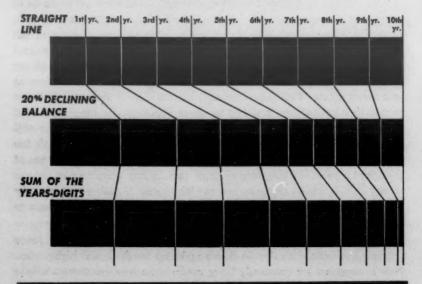
The present law sets forth three methods of computing depreciation (including a reasonable allowance for obsolescence) as follows:

- 1. The straight-line method.
- 2. The declining-balance method at not exceeding twice the straightline rates.
- 3. The sum of the years-digits method.

The law also allows any other consistent method, provided the deductions at the end of each year during the first two-thirds of the useful life of the property do not result in accumulated allowances greater than those allowed by the declining-balance method.

Straight-line depreciation allowances are computed by applying the depreciation rate (equal to the estimated useful life of the property divided into 1) to the cost of the asset less its salvage value. As indicated by the name of this method, the amount of the allowance is the same each year over the asset's useful life.

Comparison of Annual Allowances under Three Methods of Depreciation (assuming asset with life of ten years)



Under the declining-balance method, a uniform rate (which may be as much as twice the straight-line rate) is applied to the unrecovered basis of the asset. Since the basis is always reduced by prior depreciation, the rate is applied to a continually declining basis.

Under the sum of the years-digits method, the annual allowance is computed by applying a changing fraction to the taxpayer's cost of the property reduced by estimated salvage value. The denominator of the fraction is the sum of the numbers representing the successive years in the estimated life of the asset and the numerator is the number of years, including the current year, remaining in the useful life of the property. In the case of a 5-year property, for example, the allowance in the first year is computed by applying to the depreciable value of the asset the fraction $\frac{5}{1+2+3+4+5}$ or 5/15. In the second year the allowance would be 4/15 of the original cost of the asset, less salvage.

The operation of each of these methods is shown in the following table, assuming an asset costing \$10,000 with an estimated useful life of 10 years and insignificant salvage value.

Year	Straight line		20 percent declining balance		Som of the years-digits	
	Annual	Cumulative charges	Annual charge	Cumulative charges	Annual charge	Cumulative charges
1	\$1,000	\$ 1,000	\$2,000	\$2,000	\$1,818	\$ 1,818
2	1,000	2,000	1,600	3,600	1,636	3,454
3	1,000	3,000	1,280	4,880	1,455	4,909
4	1,000	4,000	1,024	5,904	1,273	6,182
5	1,000	5,000	819	6,723	1,091	7,273
6	1,000	6,000	655	7,378	909	8,182
7	1,000	7,000	* 655	8,033	727	8,909
	1,000	8,000	655	8,688	545	9,454
9	1,000	9,000	655	9,343	364	9,818
10	1,000	10,000	655	9,998	182	10,000

^{*} Switch to straight line for years 7 through 10. Cumulative charges do not add to \$10,000 because of rounding.

SOURCE: The Federal Revenue System: Facts and Problems, 1959, U.S. Congress, Joint Economic Committee, pp. 67-68.

As the table indicates, use of the declining-balance method at twice the straightline rate results in the write-off of about two-thirds of the cost of the asset over the first half of its life. The sum of the years-digits method permits recovery of almost three-fourths of the asset's cost over the same period. Under all three methods, full recovery of cost must be spread over the entire useful life of the asset. get the benefit of the higher depreciation deductions, and at any point in time total depreciation deductions will be higher under the new methods than under the old, with a consequent loss in tax revenues.

When the liberalized depreciation provisions were put into effect in 1954, the Democratic members of the House Ways and Means Committee estimated that the loss in tax revenues due to these provisions would increase sharply in the following years.

Although many corporations have declined to use the newer methods of calculating depreciation, it is clear that the changes in the 1954 law have been responsible for substantial increases in depreciation deductions in each succeeding year. The loss in revenue is estimated at well over \$1 billion annually. Most of the benefits of liberalized depreciation deductions go to corporations with large physical assets; these tend to be the corporations with the largest incomes.

No sooner did Congress pass the 1954 revenue code, permitting the use of these rapid depreciation methods, than demands went up from many corporations for even *more* liberal depreciation terms. Fortune magazine examined these demands and concluded they were unwarranted. This businessman's magazine said that corporations are accumulating enough funds through existing depreciation methods to replace existing equipment as it wears out, and that most executives privately admit it.²

The major argument offered in support of the 1954 legislation was that straight-line depreciation is not realistic, inasmuch as property depreciates at a faster rate in its earlier years than in its later years. Although this may be true for some kinds of property, such as automobiles, it certainly is not universally true. There is no single pattern of depreciation for all or even most property, and it is yet to be proved that straight-line depreciation is less realistic than the methods authorized in 1954.

A second argument is that liberalizing depreciation allowances provides needed incentive for capital investment, which in turn is needed for economic growth. However, there was no evidence prior to the enactment of the new depreciation provisions that business incentives had been impaired. Any lack of current investment can more likely be attributed to the considerable excess capacity in the American economy rather than to any other factor.

While investment by private capital is, of course, an important element in economic growth, it is by no means the only factor. For example, under

² Berdj Keradjian and Gardner F. Derrickson, "Business Financing in 1959," Survey of Current Business, October 1959, pp. 13-14.

^aEdward T. Thompson and Charles E. Silberman, "Can Anything Be Done About Corporate Taxes?", Fortune, May 1959, p. 266.

certain circumstances what may be needed is not private investment but investment by the government. Private investment may be stymied by such factors as inadequate water supply, limited transportation facilities or poor harbor development, all of which require publicly-financed improvements. Or economic growth may be handicapped by lack of trained personnel, in which case government investment in education and training facilities would be needed.

It should be noted that much of the stimulus for new investment results from research and product development. Under current tax law, the cost of all such work is considered a current expense, tax-deductible in the year it is made, although there are some who argue that such costs should be regarded as capital expenditures since the benefits they provide are spread over several years. Thus the tax laws actually tend to encourage (some would say excessively) these research activities and the new investment they stimulate.

CONVERTING DEPRECIATION INTO CAPITAL GAINS

Rapid depreciation can also be used to make a profit which is taxable at the lower capital gains rate. This is done by depreciating property below its market value and then selling it. Consider a company which buys a machine for \$1,000. The life of the machine is estimated at 10 years, after which it will have no scrap value. The straight-line method of depreciation would result in \$100 worth of depreciation a year, or \$500 in the first half of the machine's 10-year life. Rapid depreciation, however, would result in about \$700 worth of depreciation in the first five years: the company would then be carrying the machine on its books at \$1,000 minus \$700, or \$300. If it then sells the machine for \$500, the \$200 profit is taxed as a capital gain, and not at the full corporation tax rate. The company can then use the proceeds from this sale to buy replacement machinery, which once again can be depreciated under one of the methods for rapid depreciation. In this way, depreciation allowances are never evened out for this company, as it never keeps its machinery long enough to make the lower depreciation deductions.

The Treasury Department recently estimated that this provision costs \$125 million annually in lost revenue on machinery and equipment alone. If buildings were also included the loss would be substantially higher.

PERCENTAGE DEPLETION, OTHER BENEFITS FOR EXTRACTIVE INDUSTRIES

Closely related to the issue of depreciation are the percentage depletion allowances which provide special treatment for income from minerals—

everything from asbestos and anorthosite to zinc and zircon, although by far the greatest benefits go to producers of oil and natural gas.

Depletion allowances permit mineral producers to deduct a percentage of the gross income from their mine in computing the taxes they owe. The figure varies from 5 percent for some minerals up to 27½ percent for oil and natural gas. Here is how it works:

Assume that gross income from an oil well in a particular year is \$500,000. After deducting various expenses, the company's profit for the year comes to \$325,000 before depreciation and \$300,000 after depreciation. Rather than deducting depreciation and paying taxes on the net profit of \$300,000, as other businesses would, the company is first entitled to a percentage depletion deduction of 271/2 percent of its gross income of \$500,000, or \$137,500. This means taxes are paid on \$325,000 less \$137,500, or \$187,500. The depletion deduction cannot be more than half the net income, however. If net income from the well had been \$100,000 rather than \$300,000, the depletion deduction would only be \$50,000. Mineral producers get the depletion allowance in addition to all the normal allowances given other businesses.

Depletion deductions are supposed to be the equivalent of depreciation deductions in other industries. The theory is that the owner of an oil well or a coal mine is depleting or exhausting his well or mine in the same way that wear and tear depletes the value of machinery. Since it is difficult to compute such depletion for mines and wells, Congress has permitted the percentage depletion deduction as an approximation of the actual depletion. However, a factory cannot deduct more than the original cost of the machinery, since the wear and tear obviously cannot amount to more than the total cost. The oil producer, on the other hand, may continue making percentage depletion deductions for as long as his well is producing. In this way he can recover many times the original cost of the well. Since depletion allowances are based on gross income, they have no relation to actual costs. Their value depends on the price of the product and the tax rates.

Most oil companies deduct many times more than they would be allowed to under straight depreciation rates. When President Truman and the Treasury Department urged changes in the depletion provisions of the tax laws in 1950, they presented a detailed comparison of depletion allowances with normal depreciation allowances. The information they developed is shown in the table on page 63. These data show that the depletion allowances are not a substitute for depreciation but rather a subsidy for the oil and mining industries.

Benefits of Depletion Allowances, 1946-49 (MILLIONS OF DOLLARS)

Year	Number of Corporations	Depletion Allowances	Allowances Under Normal Depreciation Principles	Excess Depreciation Allowances
1946	352	\$ 555	\$ 75	\$ 480
47	344	839	79	760
48	260	1,291	77	1,214
49	260	1,120	61	1,059
Total		\$3,805	\$292	\$3,513

¹ These corporations accounted for 75-80 percent of all depletion allowances during 1946-49.

SOURCE: William F. Hellmuth, Jr. "The Corporation Income Tax Base," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. 1, p. 295.

In 1959 it was estimated that such special treatment for mineral production costs the Treasury \$1½ billion a year in lost corporation tax revenues, and most of these benefits go to larger corporations. Corporations with assets of more than \$100 million get two-thirds of the depletion allowances. The larger the corporation, the larger the benefits. The major portion of the depletion benefits go to oil companies; their taxes are lower than those of other businesses.

Percentage depletion deductions are also available on individual income tax returns for mineral producers operating their own businesses. They cost the Treasury about \$250 million per year.⁴ Individual oil producers pay a much smaller proportion of their income in taxes than does the rest of the population: a 1947 Treasury study cited 10 millionaire oil well owners who paid an average income tax of only 22½ percent on their net incomes of more than 60 million dollars during the 1943-47 period—one-half of one percent less than the rate that then applied to the first \$2,000 of taxable income. One of the group had a total income of \$14.3 million in this period but paid only \$80,000, or 6/10 of 1 percent, in taxes. It is no wonder that President Truman in his 1950 budget message said: "I know of no loophole in the tax laws so inequitable as the excessive depletion exemptions now enjoyed by oil and mining interests."

These "excessive exemptions" are on the increase. Congress has several times extended them to more minerals at higher rates. Through cases in the courts, business firms have been trying to extend the benefits of percentage depletion in another way—from mining to mineral processing. In 1959 a federal court ruled that clay producers may get depletion not only for their clay, but for the conversion of clay to finished brick.

* Ibid.

^{*}The Federal Revenue System: Facts and Problems, 1939, U.S. Congress Staff, Joint Economic Committee, p. 92.

However, Congress has now acted to eliminate this special tax benefit. Early in 1960 the Treasury Department recommended this step. Although no action was taken in the House of Representatives, the issue was raised in the Senate during discussion on a bill to continue the present corporate tax rates. The Senate unanimously approved an amendment which subsequently was accepted by the House and adopted as law. The new language has the effect of confining the special depletion allowances to the mining process and denying it to any manufacturing or other processing operation.

Nor is percentage depletion the only special tax benefit enjoyed by the extractive industries. Development costs, "intangible" drilling costs (such as labor, supplies and tool rental) and some exploration costs may all be listed as current expenses, that is, deducted in one year. In other industries, similar deductions must be spread out over the life of the property. This difference of timing gives the extractive industries larger tax deductions at any specific date than they would receive under normal treatment.

More important, the deduction of these costs as current expenses, combined with percentage depletion, gives the extractive industries a double deduction for the same costs. Percentage depletion is supposedly intended to recover the capital costs of the mine operator or oil producer. But, approximately 75 percent of these capital costs consist of the exploration, development and intangible drilling costs which have already been deducted once as a current expense. As an example of how this double deduction works, consider the case of two businesses, one an oil company and the other a textile company. Both have invested \$200,000 in their properties. The oil well and the textile factory both produce for 20 years, each with an annual gross income of \$100,000. The oil producer's tax deductions are the following:

- The first year, the corporation may deduct development, intangible drilling and some exploration costs, which amount to 75 percent of total investment of \$200,000. \$150,000
- The company may also depreciate the remainder of its investment (\$200,000 minus \$150,000, or \$50,000) over the 20-year life of the well
- It also has a depletion deduction of 27½ percent of gross income of \$100,000 27,500

Total tax deductions for oil well in first year

\$180,000

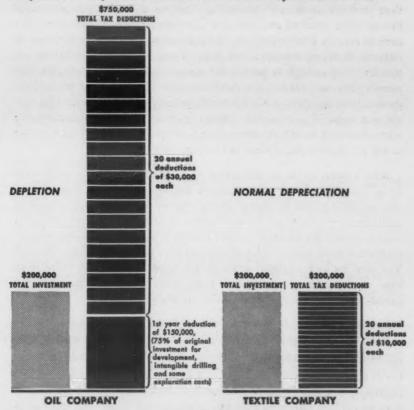
2,500

• In each succeeding year it may take the \$2,500 and \$27,500 deductions listed above. Total annual deductions will thus be \$30,000. For a 19-year period, these will amount to \$570,000.

Total tax deductions for all well in 20 years

\$750,000

Comparison of Depletion Allowances and Normal Depreciation (20 YEARS)



The textile manufacturer cannot write off any capital costs as current expenses, nor does the company have a percentage deduction. The annual deduction is thus one-twentieth of a total investment of \$200,000, or \$10,000. The total deduction for the 20-year period is \$200,000. The table below summarizes the comparison.

Tax Deductions

	First year	Total for 20 years
Oil well	\$180,000	\$750,000
Textile factory	10,000	200,000

Note that the tax deductions for the oil producer are almost four times the original investment, whereas the textile manufacturer can deduct only the original investment.

Defenders of special treatment for the mineral industries argue that their products are necessary for national defense, and subsidies are essential to encourage them to seek out new reserves so that the nation will not have to rely on foreign supplies. This argument assumes the same use of minerals in future wars as in the past. It also assumes that a future war will last long enough to permit the use of these reserves. Even if these presumptions are correct, the depletion allowance gives the mineral industries, and especially the oil industry, priority over other industries that are also essential to national defense. Further, the depletion allowance takes effect only as mineral reserves are used up; it is therefore an incentive to use up reserves rather than to conserve them.

What's more, depletion allowances apply to many minerals which have no relationship whatsoever to national defense. They even apply to foreign oil wells owned by United States companies, which would hardly be available in wartime. If the government believes the mineral industries need a subsidy for national defense reasons it should be a direct subsidy, confined to those parts of the industry that have a genuine defense function. The need for such a subsidy could be evaluated and its scope varied from time to time—something which is much more difficult to do when the subsidy takes the indirect form of the depletion allowance.

Another argument advanced for the depletion allowance is that the oil industry in particular is subject to unusual risks, drilling many dry holes before it hits a working well. However, the depletion allowance is of no use to the small operator who may drill a series of small holes and then go bankrupt. It is of value only to larger operators who have the resources to keep on drilling after they have lost money on dry holes. But those large operators could deduct the losses due to dry hole drilling from their profits in any case. That the depletion allowance benefits larger operators primarily is proven by Treasury statistics on corporation tax returns. In 1956-57, corporations with assets of more than \$100 million received 68 percent of depletion allowances. The larger the corporation, the larger the tax benefits tend to be.

Professor Horace Gray of the University of Illinois recently testified before the Ways and Means Committee that "the depletion allowance is fraught with so much evil and is so devoid of merit that it should be discontinued forthwith as an instrument of public policy." Some of the consequences he listed of this special treatment of the extractive industries are as follows:

- 1. Misallocation of resourcess It stimulates excessive and unnecessary investment in the areas affected, thereby producing excess capacity and waste.
- 2. Begets further tax privileges: One tax privilege, however selective and circumscribed originally, invariably leads to others with the result that special privilege becomes generalized and the evil compounded.
- 3. Waste of natural resources: It tends to stimulate the hasty, inefficient, and wasteful exploitation of scarce and exhaustible natural resources.
- 4. Unbalanced economic growth: It tends to promote unbalanced growth within the private sector of the economy, and a serious imbalance as between the private and public sectors of the economy.

EXPENSE ACCOUNT SPENDING

Among the other costs of doing business that are deductible in computing tax liabilities are entertainment and similar expenditures, often made on expense accounts. The last chapter pointed out that such expenses frequently operate as additional income for executives—income on which they do not have to pay tax.

One reason corporations so willingly provide such liberal expense accounts is that 52 percent of the cost does not come from the profits of the firm, but rather from the government in the form of reduced corporate taxes.

If the rules regarding expense accounts were more tightly drawn and more strictly enforced, not only would any excessive amounts have to be taxed as ordinary income by those receiving them (see CHAPTER THREE), but in addition, it is likely that the total amount spent in this fashion would be lower, resulting in greater corporate profits and greater receipts from corporate income taxes.

Within the limits of the present law, the Internal Revenue Service has begun to impose tighter control over this type of spending, but it is still too early to determine whether its efforts will be successful. Meanwhile greater interest has developed in additional legislation to curb expense account spending. In the 1960 debate over the extension of existing corporate tax rates, the Senate adopted an amendment which would have imposed tighter limits on expense accounts. However, this amendment had not been considered by the House and in the Conference Committee the amendment was dropped from the final bill.

The government is in a sense a semi-partner in American corporations, in that it receives a share of corporation profits in the form of taxes. As a

^{*&}quot;Tax Reform and the Depletion Allowance," Tax Revision Compendium, House Ways and Means Committee, November 1959, Vol. II, p. 981.

semi-partner it has a right to insist that business expenditures—which are in part expenditures of what would otherwise be government funds—be made with integrity.

LOSS CARRY-OVERS

The tax laws permit businesses that lose money in any year to deduct the loss from their profits over the next five years. They may also deduct the loss from the profits they made in the preceding three years. This means that losses can be averaged out over a nine-year period. This provision is intended to equalize the tax burden of corporations with steady incomes and those having fluctuating incomes, with losses in some years and profits in others.

The net loss carry-over can be very large. At the end of 1957, Kaiser Industries had a loss carry-over of \$23 million; American Motors had one of \$47 million; and Studebaker-Packard \$134 million.

While these loss carry-overs are a desirable feature of the tax law, special tax problems arise because the law allows a loss carry-over to be used by a firm other than the one that actually suffered the loss. A profitable company can merge with one that has a loss carry-over, and then deduct the loss from its profits over the next five years. Thus companies which see no prospect of using up their loss carry-over against the income from their own business seek profitable companies with which they can merge so as to make use of this "asset". Similarly, profitable companies seek firms with heavy losses. In this respect the carry-over provisions encourage mergers and give tax deductions to companies which have not earned them.

A profitable company which merges with a loss company can even sell the business and assets of the loss company after the merger; it is still entitled to the tax credit. For example, Magic Chef's stove-manufacturing business had a loss of \$4 million at the end of 1957. It merged with Food Giant Markets, which sold the stove-manufacturing business but kept the tax credit. In 1959, the Allied Paper Corporation sold its Allied Albany subsidiary, which it had acquired the year before, but kept its loss carry-over of \$2.7 million, which should be worth \$1½ million in reduced taxes by the time it is used up.

A loss company may acquire profitable companies either through merger or purchase and then offset its loss against their profits. This has been very common in the textile industry where, in addition to the ordinary net operating loss, companies have added to their loss tax credit by closing down unprofitable plants and selling buildings and equipment at a loss. The 1955 merger of American Woolen Company with Robbins Mills and Textron gave the combine a loss carry-over of \$50 million to exploit. Since the merger, the firm has acquired 24 different businesses outside the textile industry—manufacturers of plywood, cement, electronics equipment, iron and steel castings and optics; a steamship company, a cable company and a factoring business. The profits of these other businesses are offset by the textile loss.

Another example is Botany Mills, a textile company with an \$18 million tax loss. It bought two other textile companies and has gone into the manufacture of a variety of products—suntan lotion, luggage, pearls, dolls, machinery and oil-well equipment—all outside the textile industry and all taking advantage of the textile loss.

The loss carry-over provisions of the tax law have given rise to a new form of financial manipulation in American industry—the merger of companies that have nothing in common other than the desire to offset one's profits against the other's losses. Financial periodicals frequently carry advertisements like this one from the Wall Street Journal:

"PROFITABLE COMPANIES WANTED—By company whose stock is actively being traded over the counter but has all the necessary requisites to be listed. While our earning prospects are good we do have a current tax loss of about \$600,000. We are only interested in a tax-free exchange. If you are interested in capital gains and wish to continue in management, then please write, in strictest confidence, to President. Principals only, please; to Box A-79, Wall Street Journal."

The objective of the net loss carry-over—that of fair treatment of corporations with fluctuating income—is a legitimate one. However, fulfillment of this objective doesn't require that operating losses must be offset against profits no matter what their source, but rather that an individual firm's loss may be offset against its profit. The intention of the law is defeated by giving the loss credit to a different business.

One way this could be rectified would be to attach the credit to the business which produces the loss. Thus a profitable company that merged with a loss company could not use the loss credit if it then sold the loss company's business to someone else. It could use the loss credit only to offset profits from that part of the business which was formerly done by the loss company, and could not offset it against the total profits of the merged company.

ENCOURAGEMENT OF MERGERS

This chapter has briefly noted that some parts of the corporation tax law encourage mergers and help big (rather than small) business. The role of the net operating loss carry-over in mergers has just been discussed. Rapid methods of depreciation are helpful primarily to larger businesses, as are depletion deductions.

The tax law also encourages mergers because of the tax advantages it gives to stockholders of the corporation being acquired. The most common method of financing the acquisition of one corporation by another is by exchange of stock. That is, a large company that wishes to acquire a smaller one will offer the small company's stockholders shares of its own stock in place of the stock they hold in the small company. Neither the small corporation nor its stockholders pay any taxes on the transaction. The stockholder in the small company gets stock of a larger company which is usually more readily salable. For him, the merger is really a sale—his interest in the smaller company has been bought for stock in a larger company that he may either keep or sell for cash. If he were an individual owner of a business, he would have to pay a capital gains tax on any profit he made in selling his business. Not so in the case of a stock exchange like the above, even though he is really selling his share of the business.

The law considers such an exchange of stock a reorganization—a mere change in the form of the corporation, rather than the sale it really is. Thus no taxes are paid on the entire deal. This tax-free exchange is a major factor in the increase of mergers in recent years. There were three times as many mergers in 1954 as in 1949, and the rate has been rising since then. The tax treatment of corporate reorganizations has resulted in increased concentration of business as well as considerable loss in revenue.

SMALL BUSINESS

While there has been general acceptance of the current 52 percent tax rate on corporate income, there has been some concern that the corporation tax rates may be having a negative effect on *small* business. The question is whether smaller firms have enough profits left after taxes to finance modernization and expansion. Small business firms cannot raise such capital by selling stock, and often have a more difficult time than larger business in obtaining credit. They are therefore more dependent on retained earnings to supply the new capital they need.

In recent years Congress has been sympathetic to the pleas of small business. Such corporations now do have a number of significant advantages under the tax laws:

- 1) Corporations pay a reduced tax rate (30%) on their first \$25,000 of net income. This provides specific help to smaller corporations; in fact, over 80 percent of the nation's corporations make less than \$25,000 annually.
- 2) Under a provision of the Small Business Tax Revision Act of 1958, firms which can qualify as "small" are permitted within certain limits to take an extra 20 percent in depreciation for the first year in the life of any newly-installed equipment.
- 3) The 1958 law also allows small, closely held companies to choose whether they wish to be taxed as corporations or partnerships, whichever would be more advantageous.
- 4) Gains and losses on certain types of securities involving small business receive favorable tax treatment. Gains are considered as capital gains but losses are fully deductible.

These benefits provide significant tax advantages to small business. Because of the importance of vigorous small business to the maintenance of a growing economy, additional suggestions for easing their tax burden have been made. Of these, the simplest and most effective would be to lower the tax rate on the first \$25,000 of profits from 30 to 25 percent. If this were done while retaining the 52 percent rate on profits of more than \$25,000, the cost to the Treasury would be about \$250 million a year. About half of this reduction would go to businesses with profits of less than \$25,000; about 85 percent would go to those with annual profits of less than \$100,000. Some 15 percent would go to larger businesses which would pay the lower rate on the first \$25,000 of their profits.

An alternative proposal is to broaden the base to which the lower tax rate applies from the first \$25,000 of income to the first \$100,000. This would extend favorable tax treatment to somewhat larger, but still generally small, business firms.

REVENUE LOST BY EROSION OF THE CORPORATION TAX BASE

Deductions and exclusions narrow the corporation tax base and reduce revenues from the corporation tax just as they do in the case of the individual income tax. Tax experts have estimated that if these deductions and exclusions were eliminated, \$5.3 billion of additional revenue from the corporation tax would be available to the federal government (See Table, p. 57).

This sum could be utilized to finance necessary improvements in government services or could make possible a comprehensive tax reduction program.

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This sum could be utilized to finance necessary improvements in government services or could make possible a comprehensive tax reduction program.

FIVE Excise Taxes

Excise TAXES—OR SELECTIVE SALES TAXES—provide about one-eighth of federal revenues. They are levied on a wide variety of goods and services and a different levels. Appendix Table L points up this variety.

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The total revenue collected through these excise taxes amounted to \$10.7 billion in fiscal 1959. A relatively few excises are responsible for the bulk of this revenue. The taxes on alcoholic beverages, tobacco, gasoline, automobiles and automobile parts make up over 78 percent of the total.

To a large extent, excise taxes evolved as a means of meeting wartime financial needs. Except for limited use during the Revolutionary War and the War of 1812, excises were not applied by the federal government until the Civil War. Tobacco and alcohol excises, the two largest earners among the excise taxes, became permanent parts of the excise system at that time. A wide variety of excises were levied during World War I but were repealed after the war ended. Most of the present excises were revived in the depression years of the 1930's; during World War II rates were increased considerably and the present retailers' excises, or luxury taxes, were added. The rates were increased again during the Korean War and were lowered after it ended.

HARMPUL EFFECTS

Although excise taxes are tolerable in wartime, both as a means of raising revenue and as a means of cutting down consumption of non-essential products, they are generally undesirable. They are fundamentally regressive, since lower income earners spend a larger proportion of their income than do higher income earners, and thus pay proportionately more excise taxes. Also, cutting down consumption may be desirable in wartime, but in peacetime it hurts both management and labor in the industry that is taxed.

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Moreover, excises are usually levied on items whose sales do not vary much, whether economic conditions are good or bad. This means that income from excise taxes is stable and does not help to counteract booms and depressions in the way that flexible taxes do.

Excise Tax Collections Year Ending June 30, 1959

Туре от Тах	Amount Collected (Millions of Dellars)		Porcent of Total
Liquer	\$3,002	. 2	28.1%
Tobacco	1,807		16.9
Gasoline, lubricating oil, diesel and special motor fuels	1,826		17.1
Automobiles, buses, trucks, tires, parts, etc.	1,700		15.9
Other manufacturers excise (appliances, sporting goods, music items, business machines, cameras, light bulbs, matches, etc.) Bestulier excise tuxes (Furs. lewelry, luggage and toilet		15	4.5
preparations)	356		3.3
Admissions and club dues	160		1.5
Communications	690		6.5
Transportation of persons and property	411		3.8
All other	256		2.4
TOTAL	\$10,693		100.0

SOURCE: Treasury Bulletin.

Even excise taxes on so-called luxuries are not desirable. The definition of "luxury" is debatable in itself, and what is a luxury at one time may become a necessity later. Among the items on which excises are currently levied, the following can hardly be called luxuries: electric light bulbs, mechanical pencils, refrigerators, telephone calls and transportation fares, especially by bus or railroad. These items have become necessities to most people but the tax on them remains.

Excise taxes on liquor and tobacco fall into a somewhat different category since these have been levied, at least in part, to discourage consumption of products the community considers undesirable. These levies have by now become an accepted part of the tax system and even though they are regressive, they have become more justifiable in the public mind than other excises.

RECENT DEVELOPMENTS

Certain excise taxes are not completely a part of the permanent tax structure. For example, the permanent tax on cigarettes is \$3.50 per thousand. The present rate of \$4.00 per thousand was originally imposed during the Korean war and has been renewed by Congress on a year-to-year basis ever since. Other taxes that are similarly subject to year-to-year action are the taxes on liquor, automobiles, and automobile parts.

The necessity of considering these excise taxes each year has meant that the general subject of excise taxes has been annually reviewed by the Congress. In 1959 during the debate on these excise taxes, Congress voted to eliminate the 10 percent tax on local telephone calls (but not long distance calls) and to reduce the transportation tax from 10 percent to 5 percent, both changes to be effective July 1, 1960.

Because the date set for this tax action was a year in advance, the 1960 session of Congress once again had the opportunity to review these decisions. At this time because of the needs for federal revenue, Congress reversed itself and voted to retain these two taxes at least for the year ending June 30, 1961.

Another action by Congress in 1960 was to reduce the 20 percent cabaret tax to 10 percent. This was the only wartime tax which had remained at its original 20 percent rate; all the others had been cut to 10 or 5 percent in 1954. The high cabaret tax had the effect of reducing the demand for musicians and entertainers since restaurants were reluctant to provide entertainment that would add 20 percent to prices.

The federal tax on gasoline has been raised twice in the last few years. This tax provides the basic revenue for financing the interstate highway program first authorized in 1956. Receipts from this tax are channeled into a separate highway trust fund from which the federal government's share of the interstate program is paid. In the last two years, however, receipts from the gasoline tax have not been sufficient to meet the rising cost of highway construction. The result was Congressional approval for a further increase from 3¢ to 4¢ in the gasoline tax beginning October 1, 1959.

The theory behind the separate trust fund is that the cost of the new highway program should be borne by those who use the highways. But is it possible to say that the only beneficiaries of a modern highway system are those who drive on them? Do not all consumers benefit from lower transportation costs made possible by the interstate highway system? In any case, under the present method of financing highway development, the whole cost is raised by a regressive method of taxation. The AFL-CIO and many tax authorities feel it would have been far better to finance the highway construction program from general revenues rather than from a special trust fund built from an excise tax.

A GENERAL MANUFACTURER'S EXCISE TAX?

The National Association of Manufacturers and other groups have proposed an excise tax on all consumer products, which would be collected at the manufacturer's level. The NAM would replace all or a large part of the revenue from the income tax with the revenue from such an excise. They argue that the reduction of the income tax would increase incentives and thus stimulate economic growth. The argument that the present income tax limits growth by reducing incentives has already been discussed. Here it is necessary only to point out that the rate of economic growth does not vary with income tax rates.

Looking back over the last 60 years, it is clear that the rate of economic growth in this country has been increased during the same period that the proportion of income taxes has risen. The relation between taxation and economic growth is not a simple one and involves far more complicated issues. In many cases the use of tax revenues for needed public expenditures will actually stimulate economic growth.

Excise taxes are arbitrary and regressive, putting the greatest burden on those least able to pay. For this reason they should be reduced and eliminated, not increased and made a more important segment of federal receipts. A manufacturer's excise tax is the worst form of excise tax, because the price to the consumer is increased by much more than the amount of the tax. The wholesaler and the retailer add their profit markups to the excise tax as well as the manufacturer's price.

Consider an item which the manufacturer would ordinarily sell for \$10. With a 10 percent manufacturer's excise tax, the pricing of this item would proceed as follows:

Price set by manufacturer	
10 percent excise tax	1.00
Price to wholesaler	11.00
Wholesaler's markup (10 percent)	1.10
Price to retailer	12.10
Retailer's markup (40 percent)	4.84
Price to consumer	\$16.94

Without the tax the price would have been \$15.40. Thus the consumer has to pay a price that is \$1.54 higher in order for the government to collect \$1 in taxes, obviously a very costly and uneconomic method of levying taxes.

Another alternative to selective excise taxes is a general sales tax at the retail level. This should be automatically ruled out as a possible tax for the federal government since 1) it has unfortunately become a mainstay of state revenues and 2) such a tax is exceedingly regressive and would change the basic character of the federal tax system.

In conclusion it can be said that with the exception of those taxes involving alcoholic beverages, tobacco and the use of highways, the yield of the federal excises is quite small. It would be far better to eliminate such regressive taxes that impair the generally progressive character of the federal tax system.

SIX Estate and Gift Taxes

THE ESTATE AND GIFT TAXES provide about 2 percent of federal revenues. The estate tax is levied on money and property that a person leaves to his family or others when he dies, while the gift tax is levied on money and property that a person gives to others during his lifetime.

REASONS FOR TAXING ESTATES AND GIFTS

Why have an estate and gift tax? First of all, it should be noted that estate and gift taxes represent an excellent source of revenue for the federal government. The total value of estates subject to tax is over \$10 billion annually.

Moreover, the \$1.5 billion in revenue that these taxes yield is normally obtained without reducing anyone's current income. These taxes catch funds in the process of being transferred from one person to another.

Second, a democratic society seeks to provide equality of opportunity. In actual fact, those born into higher-income families usually have a better chance than others—they get a better education, meet more important people, etc. This advantage is perpetuated into succeeding generations through gifts and bequests of parents to children and grandchildren.

Further, there is no guarantee that inherited money will be used wisely. Herbert Hoover has pointed out that inherited money "too often . . . falls into the hands of persons of little intention to use [it] for public benefit either in expansion of enterprise and employment or for public services. It is the breeding ground of play boys and play girls of morally obnoxious and degenerating character." Hoover also assailed "the evils of inherited economic power" and recommended inheritance taxation to reduce it.1

¹ The Memoirs of Herbert Hoover (New York: The Macmillan Company, 1952), III, 1860.

Third, unlimited inheritance of wealth would lead to concentration of power in the hands of individual families. As Franklin Delano Roosevelt said, "The desire to provide security for one's self and one's family is natural and wholesome, but it is adequately served by a reasonable inheritance. Great accumulations of wealth cannot be justified on the basis of personal and family security. In the last analysis, such accumulations amount to the perpetuation of great and undesirable concentration of control in a relatively few individuals over the employment and welfare of many, many others... Inherited economic power is as inconsistent with the ideals of this generation as inherited political power was inconsistent with the ideals of the generation which established our government." ²

Thus estate and gift taxes try to equalize opportunity among the heirs of the rich and poor and to prevent the formation of family fortunes that lead to concentrations of economic power in the hands of individual families. A gift or an inheritance is in the nature of a windfall to the beneficiary, rather than income he has earned through work or investments. Estate and gift taxes therefore cannot be accused of destroying incentives or preventing growth.

Estate taxes, unlike some other taxes such as the corporation tax, cannot be shifted; that is, the estate against which the tax is assessed must pay it, and cannot pass it on to someone else. Estate and gift taxes as sources of revenue are thus free from some of the faults charged to other taxes. Finally, the estate tax is the government's last chance to tax money that may have escaped income taxation by taking advantage of loopholes in the income tax laws.

HISTORY OF THE TAX

The states preceded the federal government in levying taxes on inheritances. The early state taxes were generally applied to sums which an individual might inherit; they were not levied against the estate of the deceased as a unit. These 19th century inheritance taxes were poorly drawn and weakly administered. It was not until 1903 that Wisconsin enacted the first effective state inheritance tax law.

The federal government utilized inheritance taxes as a temporary device for raising revenue during the Civil and Spanish-American wars. Inheritances were also taxed as income in the short-lived income tax law of 1894 which the Supreme Court declared unconstitutional. In 1916 the estate tax,

^{*}Quoted by Louis Eisenstein, "The Rise and Decline of the Estate Tax," Federal Tax Policy for Economic Growth and Stability, U.S. Congress, Joint Committee on the Economic Report, November 1955, p. 829.

shortly after the income tax, became a permanent part of the federal revenue system.

The estate tax has been the subject of many Congressional battles. During World War I rates were substantially raised and exemptions lowered in order to yield additional revenue. During the 1920's, Secretary of the Treasury Andrew Mellon tried and eventually succeeded in reducing sharply the impact of this tax. In addition the gift tax was repealed.

In the early years of the depression, interest in the tax was revived as the government sought additional revenue. Even Secretary Mellon recommended an increase in rates. In 1932 rates were raised and a new and better gift tax was imposed.

In the New Deal era rates were again increased both to yield additional revenue and to achieve the social purposes sought by President Roosevelt. In 1940 and 1941 additional taxes were imposed under the stress of obtaining additional revenue to finance defense expenditures. The rates have remained unchanged since then, although from time to time, Congress has changed other provisions of the law, usually to ease the impact of these rates.

RELATION BETWEEN FEDERAL AND STATE TAXES

During the early years of the federal inheritance tax it operated independently of the various state taxes. A series of events during the 1920's led to a more coordinated system.

In those years a number of states began to compete for wealthy residents by eliminating estate taxes or reducing them to a minimal rate. To combat this peculiar type of interstate competition and to meet the argument of those who wanted to leave the whole area to the states, Congress in 1924 established a credit against the federal estate tax for death taxes paid to the states. The limit on this credit was first set at 25 percent of the federal tax, but was raised in 1926 to its present level of 80 percent. This encouraged uniformity among the states, since any state death tax cost the taxpayer very little—most of it could be deducted from the federal tax. As a result almost all states now levy some type of death tax, at least up to the limit of the federal credit.

Although there have been changes in the federal estate tax rates, the terms of the state tax credit still apply as they were enacted in 1926. Consequently the payments of state death taxes today can be applied as a credit up to 80 percent of what the federal tax would have been in 1926. Moreover, the state tax credit is available only for estates valued at \$100,000 or above because that was the basic federal exemption in 1926, although

it has since been reduced to \$60,000. Today estates valued between \$60,000 and \$100,000 have to pay federal taxes but cannot receive any credit for state taxes paid.

THE ESTATE TAX TODAY

With regard to the estate tax, the first \$60,000 of any money or property belonging to an individual upon his death is completely tax-free. Anything that is left to one's wife or husband up to one-half of the estate is also free of any tax. This not only means that a married man can leave an estate of \$120,000 to his wife completely free of estate taxes, but also that additional amounts, up to one-half the estate plus \$60,000, can be left to her tax-free. A married man with an estate of \$1 million can leave his wife \$560,000 tax-free.

In addition, deductions are permitted for funeral expenses, administrative expenses, debts and charitable donations. There is a partial credit for estate taxes levied by the states and for property inherited within the last 10 years, so that the estate tax will not be paid too frequently on the same property. After all these deductions and credits, the estate tax is assessed. It ranges from 3 percent on taxable amounts of less than \$5,000 to 77 percent on taxable amounts of more than \$10 million.

In view of the deductions and credits, only 30,000-35,000 estate tax returns are filed annually, although there are approximately 1½ million adult deaths each year.

In 1957 32,000 taxable returns reported total estates of \$8.9 billion. Exemptions and deductions reduced this to \$4.3 billion and the total tax amounted to \$1.2 billion.

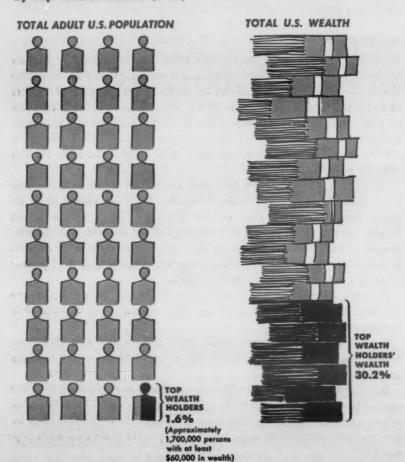
It is easy to see that the current rates of gift and estate taxation have not operated to reduce substantially the concentration of wealth in this country. A recent study found that in 1953 thirty percent of the wealth owned by individuals was concentrated in the hands of 1.6 percent of the total adult population.

GIFT TAX

The gift tax is assessed to prevent individuals from avoiding the estate tax by giving away large amounts of property during their lifetime and also to protect the income tax. Without a special tax, transfers by gift would go untaxed since they are not in a person's estate when he dies. The gift tax is paid by the person who makes the gift, not the person who receives

^{*}Robert J. Lampman, "Changes in the Share of Wealth Held by Top Wealthholders, 1922-56." Occasional Paper No. 71, National Bureau of Economic Research, 1959.

Share of Total U.S. Wealth Owned by Top Wealth Holders (1953)



it. The tax rates vary by size of the gift and are 3/4 of the estate tax rate.

Although the rate of tax on gifts is geared to the estate tax rate, the gift tax is an independent tax, with its own exclusions and exemptions. These are so liberal that fewer than 10,000 gift tax returns are filed each year. First of all, half of any gift to one's wife or husband is completely exempt from the tax. Then, gifts to any individual of up to \$3,000 a year are tax-exempt; one may give such gifts to as many people as one likes. In addition to these annual exclusions, each giver has a lifetime exemption

of \$50,000 that is free from taxes. This may be given all at once, or in installments; it may be given to one person or to many. These figures are doubled for a married couple; together they have an annual exclusion of \$6,000 for each person to whom they make a gift and a lifetime exemption of \$60,000.

On this basis a married man with three children can give his family \$78,000 in one year and \$6,000 each during each later year without paying any gift tax. Further, half of anything else given his wife is tax-free. Here is the formula: the married man divides his lifetime exemption of \$60,000 for himself and his wife among his three children, giving them \$20,000 each. In addition he has an annual exclusion of \$6,000 for each of them. This comprises the tax-free total of \$78,000 the first year. He has now used up his lifetime exemption, but his annual exclusion of \$6,000 per person continues.

Even after the gift tax exemption and exclusions are used up, the gift tax is a bargain substitute for the estate tax for those who are willing to give part of their estate away before they die. This is true for two reasons. The first is that the gift tax is only three-fourths of the estate tax in any bracket. The second is that the gift tax is computed separately from the estate tax. Therefore it is generally worthwhile for an individual with considerable wealth to remove money from his estate—where it would be taxed at the highest rate for an estate of its size—and to distribute the money as gifts, where taxes would start at the bottom of the gift tax rate.

For instance, a man with an estate of \$1 million, who has already given away all he can under both his annual exclusions and his total exemption, will pay only \$125 in gift taxes if he then gives his child \$5,000. If he did not give that \$5,000 away but kept it in his estate, the estate would pay taxes of \$1,850 on it—almost 15 times the gift tax. In this way, the owner of a \$10 million estate can save \$1.4 million in taxes if he gives away \$2 million while he is alive, rather than waiting until he dies. His estate tax would be \$6 million if he did not make the gift, but if he did, the combined estate and gift taxes would come to about \$4.6 million.4

Since 1950 the transfer of wealth by gift has been made even easier. In that year Congress introduced a change in the tax law concerning gifts made in contemplation of death. Previously such gifts could be considered as part of an individual's estate and taxable at estate tax rates rather than the lower rates of the gift tax. Under the new law, no gift

⁴This assumes no marital splitting of estate or gift tax deductions. The total gift tax exemption of \$30,000 has been included, but not the \$3,000 annual exclusions.

can be considered as made in contemplation of death unless it is made within three years of the death of the donor. Thus there is no way of recapturing any estate tax revenue that has been lost through gifts unless the gifts happen to fall within this three-year period.

This method of avoiding estate taxes is used most extensively by the very wealthy; the greater the wealth, the larger the percentage transferred by gifts. Those with a net worth of more than \$3 million give away more than 25 percent of their estates while still alive.⁵

The most effective way to prevent the avoidance of taxes through gifts would be to integrate into a single tax system the currently separate estate and gift taxes. Under such an arrangement, any taxable gifts would be considered as part of a person's estate and credit against the estate tax would be given for all gift taxes paid during the person's lifetime. Each person would be allowed a single exemption, for example \$60,000, which he could either give away or leave in his estate tax-free. By considering taxable gifts as part of an individual's estate, most incentives to avoid estate taxes through gifts would be avoided.

LIFE ESTATE

There are also a number of loopholes that permit avoidance of estate and gift taxes. For example, under a provision for so-called "life estates," a person can leave his property to his youngest living heir, possibly his great-grandchild or technically even the unborn child of a pregnant heir, with the income from the property to go first to his son and then to his grandson before the property finally goes to the great-grandchild. The estate tax is only paid once—on the original donor's death.

As an illustration of how the life estate works, take the case of John Jones, who dies leaving an estate of \$3 million to his son, John Jr. For the sake of simplicity assume that John Jr. and the later heirs merely spend the income from the estate and do not add to or subtract from the total. This means that John III inherits exactly the amount that John Jr. inherited, less the estate tax, and John IV—the great-grandson of the original millionaire—inherits the amount that his father inherited, less the estate tax. Under normal estate procedure, the tax on the original \$3 million estate is \$1,231,400, leaving \$1,768,600 for John Jr. The estate tax at John Jr.'s death is \$622,070, leaving \$1,146,530 for John III. John IV inherits \$787,083.30, which is the remainder after the estate tax of \$359,446.70.

^{*}Committee on Ways and Means, House of Representatives. Hearings on Revenue Revision of 1950, 81st Congress, 2nd Session, pp. 75, 77-82, 85. Cited by Louis Eisenstein, "The Rise and Decline of the Estate Tax," Federal Tax Policy for Economic Growth and Stability, U.S. Congress, Joint Committee on the Economic Report, November 1955, p. 836.

However, under the provisions for "life estates," if John Jones Sr. left his estate in trust for John IV, with the income to go to John Jr. and then to John III, the only estate tax paid would be the original \$1,231,400—leaving \$1,768,600 for John IV, twice what he would otherwise receive.

This "life estate" loophole is widely used. A Treasury study showed that 45 percent of property transferred by individuals with net estates of more than \$500,000 was put into life estates.

LIFE INSURANCE

The estate tax at first did not cover the proceeds of life insurance. Wealthy persons soon began to use life insurance as a means of avoiding the tax. Congress recognized that life insurance proceeds really are part of an estate and that an insurance policy is a substitute for a will in leaving property to a beneficiary. The 1942 tax law therefore provided that life insurance was taxable under the estate tax if the dead person had paid the premiums on the insurance, if he had had the right to get its cash surrender value or if there was some other evidence that he had owned it. The 1954 Internal Revenue Code partially reversed that position; life insurance proceeds are not included in a person's estate, even though he pays the premiums, as long as he does not own the policy.

Assume that a 40-year-old man bought \$900,000 worth of insurance payable to his wife and three children, paying an annual premium of approximately \$6,000. At his death they will receive the \$900,000 tax free, provided he has given up his rights to the cash surrender value of the policy or any other ownership rights (which are usually unimportant). The 1954 code thus permits persons with large estates to avoid a part of the estate tax by spending part of their estate during their lifetime to purchase life insurance.

MARITAL DEDUCTION

The marital deduction, under which up to one-half the estate can be left to a wife or husband tax-free, developed from the varying treatment of family property in states with and without community property laws. In 1942 Congress nullified the effect of state community property laws by deciding that these laws were not applicable when the federal government levied its estate tax. This legislation aroused violent objections from the community property states. Even though it had been upheld by the Supreme Court, it was repealed in 1948 when the marital deduction was introduced.

The effect of a marital deduction in the estate tax is roughly similar to income-splitting in the individual income tax. The marital deduction

provides lower tax rates for a married person than for a single individual. The extent of this reduction is indicated by the following table:

Effect of Marital Deduction on Estate Tax Rates

Taxable estate before exemption		Effective rate without marital deduction	Effective rate with marital deduction	Percentage of reduction
1	100,000	4.8%	-	100%
	150,000	11.7%	1,496	88%
	200,000	15.8%	4.8%	70%
	250,000	18.1%	8.6%	53%
	300,000	19.7%	11.7%	4196
	400,000	21.9%	15.8%	28%
	500,000	23.3%	18.1%	22%
	750,000	25.6%	21.4%	1696
	1,000,000	27.0%	23.3%	1496
	2,000,000	31.3%	27.0%	1496
	5,000,000	40.8%	33.2%	1996
	7,500,000	46.1%	37.4%	1996
	10,000,000	49.896	40.896	1896

SOURCE: Louis Eisenstein, op. cit. p. 840.

Although there is nothing inherently wrong with a marital deduction, problems arise concerning the method by which it is now applied. Consider the following example under the present law:

A man dies with an estate of \$500,000, leaving half of it to his wife and the remainder to his children. In effect his tax is calculated as though his estate were only \$250,000. When his wife dies, her estate is calculated as of the time of her death; assuming there has been no change in the value of her inheritance, this too will be valued at \$250,000. Thus an estate of \$500,000 is taxed as though it were two estates of \$250,000 each with considerable savings in taxes.

The basic principle of the estate tax would be more properly served if in the example above the wife's estate of \$250,000 were taxed upon her death as though it still belonged to her husband. The applicable tax rates would be those that would normally apply to the second \$250,000 of a \$500,000 estate. In other words, the husband's estate would be fully taxed as an estate of \$500,000, but the operation of the marital deduction would postpone the tax on the second half of the estate as long as his wife survived him.

USE OF FOUNDATIONS TO RETAIN CONTROL

Some wealthy families have used the charitable deductions permitted them under the estate tax to retain control of their financial empires. They

do this by setting up charitable foundations to which they give the bulk of their assets, thus avoiding the payment of estate taxes on these assets. They keep for themselves, however, enough of the assets to maintain their control. The Ford Foundation was originally set up in this manner—the non-voting stock in the Ford Motor Company was given to the Ford Foundation, but the voting stock was kept in the hands of the Ford family. In this way the family kept control of the company and did not have to sell its stock in order to pay estate taxes. Others who have used this method of maintaining family power are the Andrew Mellon and Alfred Sloan families. The admittedly complex economic and social issues involved in this question should be further studied.

CONCLUSION

The present estate and gift taxes have hardly tapped the potential revenue involved in the transfer of funds by gift and inheritance. Nor have these taxes acted to reduce inequalities or to deter significantly the buildup of family fortunes. At present these taxes provide relatively liberal exemptions and deductions. The rate structure is more progressive in the lower than the higher ranges of the tax schedule. The uncoordinated system of separate estate and gift taxes, as well as the provisions regarding life estates and life insurance, all tend to reduce the impact of these taxes.

The result is that through one device or another, substantial sums can escape both the gift and the estate taxes. This avoidance could be reduced if a single coordinated system replaced the two separate taxes and if the numerous tax avoidance provisions were thoroughly overhauled.

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SEVEN Employment Taxes for Social Security

THE ONLY FEDERAL EMPLOYMENT TAXES are those related to certain social security programs. These taxes, or contributions, from employers and employees are utilized solely for financing such programs as survivors benefits for widows and children, retirement and disability benefits and unemployment insurance benefits.

Because the revenues from these taxes are used only for these purposes, any evaluation of the taxes must be in terms of their inter-relationship with the programs they finance.

PEDERAL SOCIAL SECURITY PROGRAMS

The old-age, survivors and disability insurance system, started in 1935, is the largest government social insurance program. OASDI benefits are paid on the basis of earnings in covered employment, which now includes the great majority of jobs of employees, farmers and other self-employed persons. The program has been repeatedly expanded so that by 1960 more than 14 million persons were receiving one of the various forms of cash monthly payments as a matter of right, without a means test.

The size of the primary benefits is related to the individual's taxable earnings averaged over a period of years. Benefits for persons with low earnings replace a large proportion of previous income—more than two-thirds in some instances. At the top level of taxed earnings, benefits are less than one-third of the base income. In 1960 benefits ranged from \$33 to \$120 a month for an individual and up to \$254 for a family.

The social security tax, first introduced in 1935, is now six percent of the first \$4,800 of wage income each year; half is paid by the employer and half by the employee. The law provides that the employers' and employees' contributions shall increase by half a percentage point every

three years until 1969. At that time the rate will be 9 percent, half paid by the employer and half by the employee. There is a separate schedule for self-employed persons who contribute three-fourths of the combined rate for employers and employees (currently 4½ percent).

The railroad retirement program is also financed by equal contributions from employees and employers, each of whom now contributes 63/4 percent of the first \$400 of wages each month. The retirement program for federal civil service employees is financed by equal contributions of 6 percent of payroll by both the employee and the government.

Employment taxes are regressive to the extent that they are paid on only a certain amount of income (the first \$4,800 of income under social security and the first \$4,200 under railroad retirement). Those who earn more than this amount pay taxes on only part of their income, whereas those who earn less pay taxes on all of it.

But financing social insurance programs through an employment tax has notable advantages. It provides assured funds without the necessity of annual appropriations by Congress. It facilitates a wage-related system of benefits, with reasonably adequate amounts payable as a matter of right. And Congress is readier to enact benefit improvements when the necessary funds are to be raised by a direct levy on the future beneficiaries and their employers.

Moreover, there is an element of progressivity in the relation between the tax an individual pays and the benefits he will receive under the social security system. Those with higher earnings receive less than proportionate benefit rights. This serves to make possible more than proportionate benefits for those with lower earnings.

The good features of the contributory social security system can be retained and the regressive tendency of the taxes alleviated by increasing the amount of income on which employment taxes are collected or by removing entirely any dollar limit to the earnings on which the tax is levied.

There is also a special problem involving the relationship of social security contributions to the income tax. The social security contributions of employers are considered a normal business expense. The contributions of each employee are withheld from his paycheck and forwarded to the appropriate government trust fund. Yet they are included in his income when his income tax liabilities are computed. He is thus taxed on income that has not passed through his hands. On the other hand, no income taxes are levied when he collects social security benefits.

Some analysts have suggested it might be more logical to tax social security benefits rather than contributions. They argue that under social

insurance the benefit payments represent a more accurate measure of income, because the amount of an individual's contribution is not directly proportionate to the amount of the benefits he may eventually receive. Under the OASDI program, for example, preferential treatment is given newly-covered workers who are only a few years from retirement age and the benefit schedules are weighted to the advantage of lower-income contributors.

A broad, long-range view of the tax equities under social insurance suggests that income not be taxable until it is received by the beneficiary. On the one hand there is the short-term employee who has to pay social security taxes but never sees a cent of it again, perhaps because he did not work long enough to establish eligibility. On the other hand there is the newly-covered employee aged 59, with an aged wife and dependents, who in a relatively short time and with relatively small contributions establishes eligibility for the maximum benefit.

A system under which taxes are levied on benefits rather than contributions accords with the principles underlying today's social security system. The payments under the program are available without regard to need: no one is denied payments because of his wealth or other unearned income. It would seem fitting, therefore, if the benefits were taxed to those who have sufficient additional resources to make their total income taxable.

Obviously there are practical problems to be solved before it would be possible to tax benefits rather than contributions. Some way would have to be found to avert double taxation of those who have already paid taxes on their contributions. Also, it would be obviously unfair to tax social security benefits unless the benefits were increased to take this into account.

In summary, it is clear that this problem needs further study. Considerations of tax policy have to be carefully weighed in the light of the need to develop an effective system of social security.

FEDERAL-STATE UNEMPLOYMENT INSURANCE PROGRAMS

The administration of unemployment benefits is handled through a joint federal-state system. Unlike the retirement plans, unemployment insurance is financed exclusively by employer contributions both in the railroads and in all but three of the state programs. However, since collective bargaining negotiations between unions and employers are usually conducted within a framework of total labor costs, the actual burden of this tax is also borne at least in part by the employees. In many cases higher

wages would be possible if the employer were not making a contribution to unemployment insurance.

Unemployment insurance taxes have a unique disadvantage in that they can be manipulated by the employer taxpayer. While the standard tax rate of 3 percent is set by federal law, state laws allow an employer to deduct certain amounts varying with the unemployment benefits collected by his employees. The smaller the benefits the higher the tax deduction. This "experience rating" has served as an incentive for employers to oppose unemployment compensation claims by their workers and to lobby for more restrictions on such benefits. The cumulative effect of employers seeking ways to reduce benefits and thus cut their contribution rate has seriously weakened the unemployment compensation program.

Actually, the amount of unemployment insurance taxes has fallen steadily in most states to far below the original 3 percent of taxable payroll. Furthermore, since the taxable payroll in most states still remains at \$3,000, unemployment insurance contributions relative to total payrolls average about one-third what they were in 1939. This development is due both to experience rating and to the states' efforts to attract industry by keeping payroll taxes low.

This cheapening of the program also appears in the benefits being paid. Whereas the great majority of claimants originally received benefits of half their own weekly wage, only a minority do so now. The maximum weekly benefit amounts have been allowed to fall relative to general wage levels so that an increasing number are limited to the maximum rather than to one-half their own individual wage loss. Benefits now average only one-third of the unemployed claimants' wage loss.

If jobless benefits could insure about half of payroll loss each week during a recession, it would prove an effective device to cushion the downward spiral. However, with states so restrained on benefit levels and competing among themselves to find intricate and devious experience rating systems, there can probably be no substantial improvement in the federal-state jobless pay program without national minimums or standards, at least on benefit levels.

EIGHT Federal, State and Local Tax Relations

THE FEDERAL TAX SYSTEM has to be judged not only on its own merits, but also as one of three inter-related systems of taxationfederal, state and local.

This booklet cannot discuss in any detail state and local tax policies (see State and Local Taxes, AFL-CIO Publication No. 80, December 1958). Yet it is basic to any study of federal taxes to recognize: (1) How the federal taxing power has gradually and necessarily come to be used to encourage all states to establish minimum public service standards, and, particularly, to help the poorest ones; (2) How regressive most state and all local tax systems really are; (3) How federal tax policy has sought to help the states raise more revenue through progressive taxes on income and estates; and (4) What changes in the federal tax laws are now being considered to encourage greater use of income taxes by all states in order to meet the continuously rising revenue needs of state and local governments.

PEDERAL GRANTS-IN-AID

The idea of federal grants-in-aid-to help the states and ultimately the local governments-emerged right after the Civil War when Congress decided to help every state establish a land-grant college. Gradually, federal aid programs multiplied. They seek two major objectives:

First, they seek to encourage the states and localities-through the stimulus of matching funds-to initiate or expand public services which Congress believes are vital to the welfare of the nation as a whole.

Second, they seek to assist the poorer states achieve minimum standards in the performance of important public services which could not be financed from their own resources alone.

Currently, about \$6.8 billion a year is being distributed in federal grants-in-aid. Highway construction takes \$3 billion and public assistance for the needy about \$2 billion—together more than 70 percent. Other aid programs provide funds to help build hospitals and airports; stimulate vocational education and the rehabilitation of the handicapped; accelerate slum clearance and the construction of public housing; improve childwelfare services; supply low-cost hot lunches in the schools, and serve a score of other purposes. The amount of aid each state receives is generally based upon population and need.

The clamor against federal grants-in-aid has grown louder as the economy drive has gained momentum, but it isn't new. Those who lead this antifederal aid crusade generally opposed many of the aid programs when they were first enacted. Let the states and localities finance their own needs, they demand. Federal "pampering," they warn, is the road to ruin; it destroys local initiative.

It is the AFL-CIO view, on the contrary, that federal grants-in-aid must be continued. If we are to preserve our tradition of maximum dependence on local and state governments to perform public service functions, federal aid to help finance them must, indeed, be expanded.

Actually, more than 70 percent of all governmental spending for civilian purposes in the United States is now being financed by the states and localities themselves. The resources of many poorer states and most local governments are already being strained to the limit, but the demand (and the need) for increased public services continues to mount. The superior tax and revenue resources of the federal government must be utilized to help meet this demand.

A major reason certain business groups oppose federal grants-in-aid is that state and local tax systems on the whole are basically regressive. In these systems, regressive sales, payroll and property taxes predominate. Proportionately, families least able to pay taxes are forced to bear most of the load. As a consequence, public service financed by state and local levies cost wealthy individuals and corporations much less than if federal taxes helped to support them.

This was pointed out in CHAPTER ONE when the relatively progressive nature of the federal tax system was contrasted with the more regressive character of state and local taxes.

STATE AND LOCAL GOVERNMENT TAXES

Only 33 states have adopted the individual income tax, only 37 have corporate income taxes and 12 have neither. The result is that state

governments have raised most of their revenue (59 percent in 1959) through general sales and selective excise taxes. Only a small portion (11 percent in 1959) comes from the individual income tax, and an even smaller amount (6 percent in 1959) from the corporate income tax.

Local governments still depend essentially on property taxes. More and more are adopting local sales and payroll taxes which are extremely regressive. No state has adopted an individual income tax since 1937. In some states the constitution prohibits the adoption of an income tax. In many others, however, public officials, whose thinking generally is dominated by the business viewpoint, oppose a state income tax on the grounds of interstate competition. They argue that an income tax might put the state at a disadvantage in competing for new industry.

This fear is largely unfounded. A number of states with strong income taxes are attracting new business as effectively as their neighbors without them. Actually, the impact of state income taxes on individuals and corporations is largely blunted by federal deductibility. This is the provision which allows individuals and corporations to deduct state and local taxes before computing what they owe to Uncle Sam. Thus, state and local levies substantially reduce the federal tax burden, particularly for wealthier individuals and corporations. Despite this fact, reactionaries still propagandize against greater use of state income taxes by constantly repeating the false charge that business will be driven elsewhere.

The value of a progressive income tax as a source of state revenue is clearly recognized. The problem has been to create a greater incentive among state law-makers to pass the necessary legislation. It is in this regard that the federal government could play a larger role.

The AFL-CIO, as well as a number of tax policy specialists, have suggested that the federal government could allow a direct special income tax credit consisting of any state income taxes paid by the taxpayer. The individual could deduct his state income taxes up to a specified portion of his federal tax bill. For example, if a taxpayer owed \$500 in federal taxes and had paid \$50 in state income tax, he would pay the federal government only \$450 if a 10 percent credit were allowed.

This plan could help to overcome the reluctance of states to adopt income taxes, since such taxes would not result in substantial cost to the state's citizens. The burden of existing state income taxes would also be further reduced. In effect, a state income tax credit would channel to the state governments, through the taxpayers, a larger portion of the revenue presently being paid by their citizens to the federal government.

A federal credit of this sort already operates in the field of estate taxa-

tion; it was adopted in the 1920's to encourage all states to adopt progressive estate taxes, and it has proved very successful in both raising revenue for the states and eliminating unwholesome interstate competition.

A state income tax credit would require federal legislation establishing the conditions under which it would be granted. Certain standards relating to exemptions, rates and other tax factors would have to be met before any state income tax law could qualify for this new tax credit.

It is true that this plan would involve some loss of revenue to the federal government. In return, however, it would encourage the adoption of progressive taxes by the states and thus create, on balance, a combined system in which the revenues of federal and state governments were more directly based on the principle of ability to pay. Furthermore, it would provide substantial new revenue for the hard-pressed state and local governments. Finally, as all states adopted income taxes in order to take advantage of the federal credit, interstate competition for new plants based upon the vicious argument that "our state has the most regressive taxes" would finally come to an end.

NINE The Need for Tax Reform

THERE CAN BE NO DOUBT that major reform of the federal tax structure is long overdue. The objective of such reform should be an effective system that will yield adequate revenue based on the principle of ability to pay, and which will contribute to the growth and stability of the economy.

The need for tax reform is brought out clearly by comparing the present tax system with the criteria for a good tax system that were set forth in the first chapter.

These criteria are fairness, favorable economic effects, adequacy of revenue and ease of administration and compliance.

PAIRMESS

How does the federal tax structure meet the first criterion, fairness? The individual income tax, which provides the largest single portion of federal revenue, has a progressive rate structure. It gives the appearance of treating equally those with equal taxpaying ability. However, it is far less progressive than a simple examination of the tax rate schedule would indicate.

Today's income tax system is riddled with special privileges which are corroding its basically fair characteristics. The rate schedule is progressive but Congress has allowed one type of special privilege after another to distort or nullify the schedule. The special treatment for capital gains, the special tax credit for dividend income, the continuing existence of tax-exempt interest are but a few examples.

Similar shortcomings have developed in the corporate income tax. This too is a basically fair tax. The 52 percent rate may seem high but it has not operated in an unfair manner or prevented business from earning

substantial profits. Special consideration for small business has been introduced.

However, the corporation tax is also riddled with special provisions favoring specific industries or types of activity. Perhaps the most flagrant is the provision for excessive depletion allowances for the oil and mining industries.

The effect of these exclusions and deductions both as to individual and corporation taxes is to treat income differently according to its source. That is, income from wages is taxed at one rate; income from dividends at another, and income from oil wells at still another. Parallel to the ordinary income tax structure is a capital gains tax structure. Income classified as capital gains is taxed at no more than half the rate for wages, and even less than half the normal rate for those in the upper brackets.

The tax revenue lost through these deductions and exclusions must be obtained elsewhere—for the most part from wages and salaries. It is not only lower income earners who are discriminated against by these special privileges. All persons who depend largely on wages and salaries suffer the same discrimination because their income is taxed at the full rates, whereas incomes from dividends, capital gains, etc., can escape the full rates.

These special privileges are defended on the ground that certain industries or certain types of taxpayers need special incentives in order to make the investments the economy requires. There is a good deal to be said for encouraging business activity. But the activities that receive special tax treatment are not necessarily more important to the nation than many others; they just have more effective political support. The departure from fairness represented by these special privileges results in demands from other taxpayers for equivalent treatment.

The adoption and gradual extension of these special privileges has eliminated a major portion of the tax base. Such special privileges are self-defeating because they weaken the fundamental concept of equality that is the basis of our society.

In any case, special privileges are an inefficient way to encourage activities that are important to the nation. Special treatment benefits many persons who are not engaged in desirable activities, and otherwise merely offers tax privileges to those who do what they are doing regardless of taxes. If Congress feels certain activities require assistance from the federal government, a more direct subsidy would be preferable to the indirect ones obtained through the tax laws. Such direct subsidies could be tailored according to need and revised as circumstances suggest.

Excise taxes are the oldest part of the federal tax system. Some of them, particularly those on alcoholic beverages and tobacco, have been accepted as fair by the general public. Excise taxes on certain items that are clearly luxuries can also be defended as fair. Unfortunately, most of today's excise taxes are levied on items that have become part of everyday living. The fairness of the tax system would be improved if they were eliminated.

A tax on estate and gifts is a legitimate source of revenue for the federal government. It represents the only opportunity for the government to tax income that would otherwise escape any taxation whatever. Because these taxes are levied at the time of the transfer of wealth, they do not lower anyone's previous standard of living. Unfortunately, the present estate and gift taxes have not been fairly applied because of the lack of a coordinated program and the effect of various special provisions allowing wealthy individuals to circumvent the intent of these taxes.

Employment taxes cannot be defended as fair from the standpoint of tax analysis, but their place in the federal tax system must be weighed in the light of the specific programs they support. The values which a contributory social security system have brought to the country have tended to outweigh the regressive character of the employment tax.

ECONOMIC PERSONS

In economic effects, the corporate and individual income taxes more closely meet the test for an effective tax than do the other federal taxes. They both work to counteract inflation and depression by taking a higher proportion of income in boom periods and a lower proportion in depressions. This removes money from private hands at times when it might be used to bid up the price of goods, and pumps money into the economy when it is needed to restore consumer purchasing power.

The economic effect of excise taxes, on the other hand, will vary with the nature of the product being taxed. If the product is truly a luxury, its sales and the revenue from the excise tax will tend to fluctuate with business conditions. This is not true of cigarettes, gasoline and alcoholic beverages, which yield most of the federal excise revenue. Even the sales of household appliances formerly considered luxuries do not necessarily follow the pattern of business conditions.

Many businessmen assume that federal tax policy should provide greater incentives to investment. They would reduce progressive tax rates, cut the rate paid by corporations, rely more on excise taxes and allow greater deductions for depreciation.

This viewpoint neglects two factors. The first is that under the present tax system investment in the postwar period has grown quite rapidly—so rapidly that there is much idle capacity in many sections of American industry. The second is that the United States economy needs a growing consumption base even more than greater investment in plant and equipment. It is increased consumption that provides the true incentive to invest; when consumption is low, tax incentives will not promote investment.

Estate and gift taxes are relatively neutral in their economic effects. Attempts to make these taxes a more productive source of revenue would not have adverse economic effects.

ADEQUACY OF REVENUE

It cannot be said that the present federal tax system permits the government to operate at any substantial surplus. In fact, the revenues yielded by the present tax system are barely adequate to meet expenditures in years of relative prosperity. Quite properly in years of recession the government's budget is operated at a deficit.

For the period 1947-60, there were 8 years in which operating income exceeded operating outgo, and 6 years in which the government operated at a deficit. However, this record conceals the fact that most of the years with a surplus occurred immediately after World War II. Of the last 11 years, 6 have been ones with a deficit (See Appendix, Table A.)

It is important to point out that the level of federal revenue fluctuates directly with the level of incomes (both individual and corporate) and thus with general economic conditions. During recent years federal revenues have been limited by the relatively low rate at which the economy has been growing. With a higher rate of economic growth, revenues would increase and budget expenditures could be raised while maintaining a balanced budget with no increase in rates of taxation.

ADMINISTRATION AND COMPLIANCE

The present federal tax structure is not simple, as anyone knows who has filled out the long individual income tax form. Even this form does not begin to convey the complexities of the many special provisions, administrative rulings and court interpretations that affect taxes on various types of personal income. Corporation tax law is equally complicated.

Much of this complexity is due to special provisions in the law, especially the fact that we have two parallel tax structures, one for ordinary income and one for capital gains. Because capital gains rates are much lower than ordinary rates, upper-bracket taxpayers engage in considerable maneuvering to get as much as possible of their income classified as capital gains. These maneuvers and certain counter-maneuvers by the Treasury have resulted in much of today's highly-detailed tax legislation.

The complexity of the law and the effort to avoid tax payments result in the expenditure of tremendous amounts of time, energy, and skill. A large number of lawyers and accountants specialize in tax matters. Much of this talent could be more productively utilized if the tax system were simplified.

The complexity of the tax system also makes more difficult the task of achieving compliance. The length of time is increased and the cost is higher for checking each individual and corporate tax return. The result is that far fewer returns can be audited by any fixed number of people. Also, complexities increase the number of borderline cases where the amount of the tax is in dispute between the taxpayer and the government. This leads to expensive litigation, which in turn may only result in further confusion.

TEN A Program for Federal Tax Reform

It is important to distinguish between the two objectives of tax reform and tax reduction. Everyone would like to pay lower taxes. However, not everyone favors tax reform which would eliminate many types of special benefits certain groups of taxpayers have been receiving.

Tax reform will yield substantial additional revenue for the federal government. Once such reform has been achieved, Congress would want to consider ways in which the general level of taxes could be reduced. Clearly though, in the light of the federal government's need for adequate revenue, the objective of tax reform should come before any consideration of tax reduction.

In the light of the foregoing analysis of the nation's tax system, the following program for tax reform is offered.

I. INDIVIDUAL INCOME TAX

The net effect of our present individual income tax system is that many taxpayers, particularly those whose incomes are almost entirely from wages, normally have to pay full taxes on their income, while a large number of others, particularly those in the higher income brackets, have available to them various escape provisions which enable them to avoid the full impact of the tax structure.

In any tax reform program, the emphasis must be on bringing back into the income tax system much of the income that has been removed, and in restoring the principle of fairness so that those with equal incomes are treated equally under the tax laws. This will require repeal or at least substantial modification of many provisions in today's tax code.

Each of the present special exemptions, deductions and credits in the tax

law must be reassessed in the light of today's tax structure and those that cannot be defended on the basis of equity and economics must be eliminated. In this process all special interests must be swept aside. Individuals in all income classes are bound to be affected. While workers and other low and middle income groups are paying more than their full share of the tax burden, some necessary changes may adversely affect their interests as well as the interests of those in the upper income brackets. The basic aim of such a broad revision should be to restore the principles of equity and ability to pay to federal income tax laws.

As an immediate program to build up the tax base, the following is suggested:

- 1. The dividend exclusion and tax credit granted in 1954 should be repealed.
- 2. The withholding system should be adopted for sources of income other than wages, at least for dividends and interest.
- 3. The tax provisions applying to capital gains income should be substantially revised. The most feasible program would seem to include (a) closing the loophole which allows accumulated capital gains to go untaxed upon transfer as a result of death or gift; (b) inclusion of all realized capital gains as income taxed at the normal rate; and (c) moderating the tax impact on capital gains accumulated over a period of longer than one year by allowing the owner to average out the gain over the length of time the asset was held.
- 4. The split-income provisions should be repealed. This can most practically be done by requiring all married couples to file joint returns but at the same time providing for them a separate tax table in which the rate of progression is increased, so that the tax on a married couple with a given taxable income is the same as the tax on a single person with that income.
- 5. Through carefully drawn legislation and stricter interpretation of the law, the amount of expense account spending that is permitted tax free should be limited to some reasonable maximum, and any amounts received over this limit classified as income and subject to the applicable tax rate.
- 6. The stock option privileges designed to circumvent the payment of taxes should be eliminated.
- 7. The tax-exempt status of state and local bonds should be repealed, particularly for those bonds used to construct industrial plants and to purchase machinery for firms moving from other locations.
- 8. The provisions allowing family income-splitting should be thoroughly overhauled.

9. The host of other exclusions, deductions and credits should be carefully examined to determine whether they can be justified on the grounds of equity or economics. Wherever possible, these provisions should be tightened to bring more income into the tax base.

II. CORPORATION INCOME TAX

- 1. The system of depletion allowances should be repealed so that individuals and corporations in the mineral and allied industries are permitted to deduct only depreciation allowances equal to those received by other industries on their invested capital.
 - 2. The provisions in the 1954 Revenue Act allowing more liberal deductions for depreciation should be repealed.
- 3. Congress should reexamine the tax burden on small business to determine whether additional legislation is necessary. If additional tax relief is necessary, it can be achieved by lowering the 30 percent normal rate on income up to \$25,000 and raising the surtax rate applied to income above \$25,000. The total rate on income above \$25,000 would remain the same, but some additional measure of relief would be granted to small corporations. At the same time, Congress should study ways of providing similar tax relief to unincorporated businesses.
- 4. The provisions of the corporate income tax which grant special tax windfalls to purchasers of corporations with heavy tax losses should be eliminated.

III. EXCISE TAXES

- 1. As soon as practicable, inequitable federal excise taxes should be reduced. Priority in such reductions should be given to taxes on items in everyday use, with the exception of those designed to discourage consumption of particular products.
- 2. The practice of financing the interstate highway program through a separate trust fund from gasoline and related excise taxes should be ended.

IV. ESTATE AND GIFT TAXES

The estate and gift taxes should be made a more effective source of revenue by developing a single coordinated system for the two tax programs with the following features:

- 1. A single exemption of \$60,000 which an individual could either give away or leave in his estate, tax free.
- 2. A single scale of rates roughly comparable to the present rate schedule of the estate tax.

- 3. A marital deduction up to one-half the total estate for property passing to the deceased's husband or wife. However, this marital deduction would not allow the taxation of one estate as two, but would merely postpone the tax on that part of the estate representing the marital deduction until the death of the surviving spouse.
- 4. The elimination of tax-free transfers of property by means of trusts lasting for several generations.

V. EMPLOYMENT TAXES FOR SOCIAL SECURITY

- 1. The ceiling on earnings on which social security contributions are paid should be raised substantially from \$4,800 or eliminated entirely. Corresponding changes should be made under the Railroad Retirement program.
- 2. The proposal that taxes be levied on social security benefits rather than on contributions should be given serious consideration, but any changes in the method of taxation should also be designed to strengthen the social security system.

VI. RELATION BETWEEN FEDERAL AND STATE TAXES

Congress and the Treasury should study ways and means of encouraging the adoption of more progressive tax laws by the states, including the possibility of providing a specific tax credit for income taxes paid to states under laws meeting certain minimum federal standards.

VII. ADMINISTRATION OF TAX LAWS

The Treasury should ask for and Congress should grant additional appropriations to permit a more adequate audit of income tax returns and a stricter enforcement of all tax laws.

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Which Way to Reduce Income Taxes?

If the program for tax reform as outlined in Chapter ten is adopted, thus providing more revenue for the federal government, Congress will undoubtedly want at the same time to consider ways of providing a general reduction in individual income taxes.

Very critical issues are involved in choosing among the various different methods of reducing income taxes. There is no simple automatic way of achieving tax reduction. From among the various methods Congress can easily choose one which would provide favorable treatment for taxpayers in certain income brackets. It is not easy to choose a method that would be equitable to all concerned.

Moreover, the task of drawing a new schedule of tax rates would be influenced by the actions taken to achieve tax reform. For example, the solution to the problem of income-splitting lies in the development of separate rate schedules for single and joint returns.

There are, however, two specific problems that inevitably arise in developing a new and lower schedule of tax rates. They concern the treatment of individuals at the lowest and the highest income levels; the low-and moderate-income families on the one hand and the highest income groups on the other.

The low- and moderate-income families today are carrying a disproportionately large tax burden because of the many special advantages offered to upper-income taxpayers. In general, there are two ways to relieve the tax burden of these taxpayers: 1) an increase in the personal exemption and 2) splitting the first bracket of taxable income and applying a rate lower than 20 percent to the first dollars of taxable income.

An increase in personal exemptions is long overdue. The \$600 figure

was inadequate when it was set at this level in 1948. As a result, many relatively low-income families have had to pay substantial amounts in income taxes.

The proposal for splitting the first income tax bracket recognizes the fact that the current 20 percent rate in this bracket applies to such a large proportion of all taxable income. Moreover, as the initial step in a progressive tax rate schedule, 20 percent is quite high. It has therefore been proposed that the first bracket be split in half and that a lower rate, 10 or 15 percent, apply to the lower half of the tax bracket.

Both the proposal for an increase in the personal exemption and for splitting of the first bracket rate would be equitable methods of achieving tax relief for low- and moderate-income families. The AFL-CIO has gone on record as favoring an increase in the personal exemption.

The other special problem involved in any general reduction of tax rates concerns the rates that now apply to upper-bracket income. In the current tax schedule, the 75 percent rate starts at \$100,000 for a married couple or at \$50,000 for a single person. The top rate, 91 percent, begins at \$400,000 for a married couple, \$200,000 for a single person.

For many years business groups have clamored that the rates applying to the higher levels of taxable income are unjust and confiscatory. While some people would justify a rate of even as high as 91 percent on a progressive tax schedule (after all, does a man with \$1 million income need to retain any more than 9 percent of any additional income?) it is only a matter of reality to recognize that in the tax system as it is operating today the high scheduled rates are not fulfilling their function. As a practical matter, it is clear that these high rates have been a major factor working to open new loopholes and to widen existing ones. Those who would normally be affected by the high rates have tried, generally successfully, to persuade Congress to enact legislation that in one way or another would provide a special umbrella for at least a substantial part of their high income.

Consequently, if Congress adopts an effective tax reform program eliminating the special privileges available to the upper-income taxpayers, it would be sensible and realistic to consider reducing these upper-income tax rates. However, any changes in these high tax rates must be accompanied by major measures to eliminate the special privileges which are now available. Moreover, it would be obviously unfair to reduce the upper-income tax rates unless at the same time measures were taken to provide tax relief for low-and moderate-income families.

APPENDIX

TABLE A

Federal Receipts, Expenditures, Surplus or Deficit and Public Debt, Fiscal Years 1929-60 (BILLIONS OF DOLLARS)

Fiscal year	Budget Receipts	Budget expendi- tures	Budget surplus er deficit	Cash surplus or deficit	Public dobt and of year
1929	\$ 3.9	\$ 3.1	+\$ 3	+\$.9	\$ 16.9
1930	4.1	3.3	+ .7	+ .9	16.2
1931	3.1	3.6	5	- 1.0	16.8
1932	1.9	4.7	- 2.7	- 2.7	19.5
1933	2.0	4.6	- 2.6	- 2.6	22.5
1934	3.1	6.7	- 3.6	- 3.3	27.1
1935	3.7	6.5	- 2.8	- 2.4	28.7
1936	4.1	8.5	- 4.4	- 3.5	33.8
1937	5.0	7.8	- 2.8	- 2.8	36.4
1938	5.6	6.8	- 1.2	1	37.2
1939	5.0	8.9	- 3.9	- 2.9	40.4
1940	5.1	9.1	- 3.9	- 2.7	43.0
1941	7.1	13.3	- 6.2	- 4.8	49.0
1942	12.6	34.0	- 21.5	- 19.4	72.4
1943	22.0	79.4	- 57.A	— 53.8	136.7
1944	43.6	95.1	- 51.4	- 46.1	201.0
1945	44.5	98.4	53.9	45.0	258.7
1946	39.8	60.4	- 20.7	- 10.2	269.4
1947	39.8	39.0	+ .8	+ 6.6	258.3
1948	41.5	33.1	+ 8.4	+ 8.9	252.3
1949	37.7	39.5	- 1.8	+ 1.0	252.8
1950	36.5	39.6	- 3.1	- 2.2	257.A
1981	47.6	44.1	+ 3.5	+ 7.6	255.2
1952	61.4	65.4	- 4.0	(1)	259.2
1953	64.8	. 74.3	- 9.4	- 5.3	266.1
1954	64.7	67.8	- 3.1	- 2	271.3
1955	60.4	64.6	- 4.2	- 2.7	274.4
1956	68.2	66.5	+ 1.6	+ 4.5	272.8
1957	71.0	69.4	+ 1.6	+ 2.1	270.6
1958	69.1	71.9	- 2.8	- 1.5	276.4
1959	68.3	80.7	- 12.4	- 13.1	284.8
1960	78.4	77.3	+ 1.1	+ 7	286.5

[&]quot;Cash" surplus or deficit shows the extent to which total or "cash" federal receipts exceeded or fell below total expenditures. The "cash" budget includes trust fund and certain other trans-actions not included in the regular budget for government activities.

² Less than \$50 million.

SOURCE: Bureau of the Budget and Treasury Department.

TABLE B Federal, State and Local Government Receipts, 1929-59

						Receipts				
*-tt	Hational		Amounts in billions		ne	Percent o	•	11	Per capito	
Calendar	(In billions)	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1929	\$ 87.8	\$ 11.3	\$ 3.8	\$ 7.5	12.9	4.3	8.5	\$ 93	\$ 31	\$ 62
1930	75.7	10.8	3.0	7.7	14.3	4.0	10.2	88	24	- 63
1931	59.7	9.5	2.0	7.4	15.9	3.4	12.4	77	16	60
1932	42.5	8.9	1.7	7.2	20.9	4.0	16.9	71	14	58
1933	40.2	9.3	2.7	6.7	23.1	6.7	16.7	74	21	53
1934	49.0	10.5	3.5	6.9	21.4	7.1	14.1	83	28	55
1935	57.1	.11.4	4.0	7.4	20.0	7.0	13.0	90	31	58
1936	64.9	12.9	5.0	7.9	19.9	7.7	12.2	101	39	62
1937	73.6	15.4	7.0	8.3	20.9	9.5	11.3	120	54	65
1938	67.6	15.0	6.5	8.5	22.2	9.6	12.6	115	50	65
1939	72.8	15.4	6.7	8.7	21.2	9.2	12.0	118	51	66
1940	81.6	17.7	8.6	.9.1	21.7	10.5	11.2	134	65	69
1941	104.7	25.0	15.4	9.6	23.9	14.7	9.2	187	115	72
1942	137.7	32.6	22.9	9.7	23.7	16.6	7.0	242	170	72
1943	170.3	49.2	39.3	9.9	28.9	23.1	5.8	360	287	72
1944	182.6	51.2	41.0	10.2	28.0	22.5	5.6	370	296	74
1945	181.2	53.2	42.5	10.7	29.4	23.5	5.9	380	304	76
1946	180.9	51.1	39.2	11.9	28.2	21.7	6.6	361	277	84
1947	198.2	57.1	43.3	13.8	28.8	21.8	7.0	396	300	96
1948	223.5	59.2	43.4	15.8	26.5	19.4	7.1	404	296	108
1949	217.7	56.4	39.1	17.4	25.9	18.0	8.0	378	262	117
1950	241.9	69.3	50.2	19.1	28.6	20.8	7.9	457	331	126
1951	279.3	85.5	64.5	21.0	30.6	23.1	7.5	554	418	134
1952	292.2	90.6	67.7	22.9	31.0	23.2	7.8	577	431	144
1953	305.6	94.9	70.3	24.6	31.1	23.0	8.0	595	440	154
1954	301.8	90.0	63.8	26.2	29.8	21.1	8.7	554	393	161
1955	330.2	101.4	72.8	28.7	30.7	22.0	8.7	613	440	174
1956	350.8	109.5	77.5	32.0	31.2	22.1	9.1	651	461	190
1957	366.9	116.3	81.7	34.6	31.7	22.3	9.4	679	477	202
1958	367.7	115.2	78.6	36.6	31.3	21.4	10.0	662	451	210
1959	399.6	129.1	89.5	39.6	32.3	22.4	9.9	729	505	224

State and local receipts have been adjusted to exclude Federal grants-in-aid.

Note—The receipts in this table are on the national income and product account basis of the Department of Commerce and therefore differ from both "budget" and "cash" receipts as defined in the budget message. In this table, receipts of trust funds and taxes other than corporation taxes are on a cash basis and receipts from corporation taxes are on an accrual basis.

description of the legister was at a delay

SOURCE: Department of Commerce.

TABLE C
Government Tax Collections by Source, Fiscal Year 1958
(DOLLAR AMOUNTS IN MILLIONS)

	Total ali				Pere	ent of to	tel
Tex	governments	Federal	State	Local -	Federal	State	Local
Property	\$14,047	_	\$ 533	\$13,514	_	3.8	96.2
Individual income	36,483	\$34,724	1,544)		95.2	42)	
Corporation income	21,092	20,074	1,018	215	95.2	4.2	0.4
General sales and					,	,	
gross receipts	4,206	-	3,507	699	-	83.4	16.6
Motor fuel	4,537	1,592	2,919	26	35.1	64.3	0.6
Alcoholic beverages	3,447	2,860	566	21	83.0	16.4	0.6
Tobacco products	2,394	1,728	616	50	72.2	25.7	2.1
Other selective sales							
and gross receipts	5,735	4,311	1,142	282	75.2	19.9	4.9
Death and gift	1,760	1,393	351	16	79.1	19.9	0.9
Other, including custom							
duties and licenses							
and permits	4,683	1,3251	2,722	636	28.3	58.1	13.6
Total taxes	\$98,387	\$68,007	\$14,919	\$15,461	69.1	15.2	15.7

¹ Includes custom duties amounting to \$782 million. SOURCE: U.S. Bureau of the Census, Governmental Finances in 1958.

TABLE D

How Much Does the Average Family Pay in Federal Taxes?

It is difficult to provide an accurate estimate of all types of taxes which the average family pays to the federal government. The amount of income tax varies with the size of income, type of income, and number of dependents. The amount of excise taxes paid depends on family purchases of those items subject to such taxes.

The following figures, however, provide an estimate of direct federal taxes for a family of four with \$5,000 of wage and salary income.

Direct Federal Taxes Paid by Typical Family (ASSUMING FAMILY OF FOUR WITH \$5000 WAGE INCOME)

Income tax, 20 percent on \$2,100 taxable income '		\$420.00
Social security contribution (3 percent on \$4,800 of earnings)		144.00
Excise taxes on purchased items:		
Gasoline, 4¢ per gal. (750 gals.)	\$30.00	
Lubricating oil, 6¢ per gal. (1 gal.)	.06	
Auto accessories & parts, 8 percent (\$20 worth)	1.60	
Cigareties, \$4 per 1,000 (52 cartons)	41.60	
Liquer, \$10.50 per proof gal. (2 gal. 86 proof)	18.06	
Beer, \$9 per burrel (36 6-packs)	5.88	
Railroad fares, 10 percent (2 trips, \$40)	4.00	
Telephone, 10 percent (\$52)	5.20	
Radio and TV sets and parts, 10 percent (allocation of \$35)	3.50	
Household electrical, gas, and oil appliances, 5 percent (allocation of \$60)	3.00	
Entertainment admissions, 1¢ per 10¢ over \$1.00 (40 admissions @ \$1.25)	3.00	
Playing cards, 13é per pack (2 packs)	.26	
Tollet articles, 10 percent (\$50 worth)	5.00	
Miscellaneous items, 10 percent (\$40 worth-handbags, electric light bulbs		
costume Jewelry, camera equipment & film, fountain pens, phonograph		
records, matches, sporting goods, cigarette lighters)	4.00	
records moteracy sporting goods cigarette nighterly	4.00	\$125,16
A STATE OF THE STA		₹123.10
TOTAL		\$689.16

Income after standard 10 percent deduction (\$500) and four \$600 exemptions (\$2400).

NOTE: No attempt has been made to estimate this family's share of other federal taxes. For example, the tax en corporate profits and the employer's social security contributions to some extent may be reflected in the prices of products paid by consumers.

TABLE E
Number of Returns, Adjusted Gross Income, and Income Tax
by Adjusted Gross Income Classes, 1958
(DOLLAR AMOUNTS IN THOUSANDS)

Adjusted gross income classes	Number of returns	Adjusted gross Income	Income tax after credits
Taxable returns:		168 112 113	A. Carrier
\$600 and under \$1,000	1,296,407	\$ 1,083,049	\$ 38,062
\$1,000 and under \$3,000	9,583,383	19,809,477	1,634,597
\$3,000 and under \$5,000	13,249,508	53,370,670	4,943,143
\$5,000 and under \$10,000	17,702,182	120,222,881	13,389,037
\$10,000 and under \$20,000	3,072,449	39,218,752	6,048,455
\$20,000 and under \$50,000	634,002	18,189,272	4,270,365
\$50,000 and under \$100,000	91,605	6,042,852	2,106,658
\$100,000 and over	22,598	4,251,382	1,905,335
Total taxable returns	45,652,134	\$262,188,335	\$34,335,652
Nontaxable returns:			
Under \$1,000	6,098,128	\$ 1,627,717	_
\$1,000 and under \$3,000	5,520,556	10,096,904	_
\$3,000 and over	1,814,364	7,241,136	-
Total nontaxable returns	13,433,048	\$ 18,965,757	-
Total, all returns	59,085,182	\$281,154,092	\$34,335,652
	1	Percentage distribution	
Taxable returns:			
\$600 and under \$1,000	2.2	0.4	0.1
\$1,000 and under \$3,000	16.2	7.0	4.8
\$3,000 and under \$5,000	22.4	19.0	14.4
\$5,000 and under \$10,000	30.0	42.8	39.0
\$10,000 and under \$20,000	5.2	13.9	17.6
\$20,000 and under \$50,000	1.1	6.5	12.4
\$50,000 and under \$100,000	0.2	2.1	6.1
\$100,000 and over		1.5	. 5.5
Total taxable returns	77.3	93.3	100.0
Nontaxable returns:	/ 1		
Under \$1,000	10.3	0.6	-
\$1,000 and under \$3,000	9.3	3.6	
\$3,000 and over	3.1	2.6	-
Total nontaxable returns	22.7	6.7	-
Total, all returns	100.00	100.0	100.0

Less than 0.05.

SOURCE: U. S. Treasury Department, Statistics of Income, 1958 (Preliminary).

TABLE F

Sources of Income by Adjusted Gross Income Classes, 1958 (THOUSANDS OF DOULARS)

	-					liet profit or go	rain from-		Income from		Adjusted
April pro line de		Dividends !			Parison or	Partnership	Sales of capital ass	Beets and its republica		Other	ij
Taxable returns:	107100 \$	\$ 10.276	11.421	\$ 404	\$ 44,767	\$ 10,307	\$ 8,085	8 9.53A	\$ 1.573	\$ 5.001	\$ 1,083,049
\$1,000 and under \$3,000	17,238,265	175,805	224,165	109,124	1,471,651	232,697	144,519	230,737	24,112	- 41,598	19,809,477
\$3,000 and under \$5,000	47.439.714	466,777	411.07	222,737	3,448,968	989'989	343,071	440,596	44,723	- 83,473	53,370,670
\$5.000 and under \$10.000	108,485,258	1.997.452	916.588	274.808	5,813,581	1,950,392	747,651	897,747	101.421	- 62.217	120,222,881
\$10,000 and under \$20,000	28, 226, 209	1.570.364	201,716	112.622	4,619,856	2,324,026	782,763	687,287	129,60	- 35,732	39,218,752
\$20,000 and under \$50,000	7.704.120	2.020.432	541.064	988,99	3,710,368	2,644,027	853,119	848,219	150,692	- 69,655	18,189,272
\$50,000 and under \$100,000	2.647.808	1 322 213	189,636	21.518	900'669	1,077,122	540,191	184.544	40.768	- 59,196	6,042,852
\$100,000 and ever	810,129	1,453,348	119,339	31,237	138,290	448,984	196,561	139,781	25,427	-131,934	4,251,382
Total taxable returns	\$213,043,186	\$8,256,887	\$9,115,794	\$ 839,536	\$19,886,517	\$9,372,241	\$4,405,960	\$3,178,455	\$568,563	\$-478,884	\$262,188,335
Nentexable returns: Under \$1,000 \$1,000 and under \$3,000 \$3,000 and over	\$ 2,009,479 6,407,420 5,403,591	\$ 36,707 222,539 18,454	\$ 85,347 293,177 124,005	\$ 27,740 354,578 99,170	\$ 408,740 1,721,133 851,839	\$ 49,158 192,217 711,971	\$ 69,885 181,446 134,898	\$ 143,182 464,487 135,305	\$ 4,829 24,843 15,236	\$15,316 - \$6,307 - 112,73 -	\$ 2,640,043 10,096,904 7,241,136
Total nontexable returns	\$ 14,310,910	\$ 445,793	\$ 502,559	\$ 481,488	\$ 2,981,712	\$ 420,484	\$ 386,409	\$ 742,974	\$ 44,908	\$-339,194	\$ 19,978,863
Total all returns	\$227,354,096	\$8,702,680	\$3,618,353	\$1,321,024	\$22,848,229	\$9,792,725	\$4,792,409	\$3,921,429	10/6198	F-617,996	\$282,166,418

Excludes nontaxable returns with no adjusted gross income.

After excludable sick pay.

Mer exclusions.

* Includes both life expectancy and 3-year method.

* Includes certain miscellaneous types of income not shown elsewhere, but mainly represents net lossee from business or profession, partnerships, sales of capital attett, rent and royalties.

SOURCE: U. S. Treasury Department, Statistics of Income, 1958 (Preliminary).

Sources of Income as Percent of Adjusted Gross Income, by Adjusted Gross Income Classes, 1958 TABLE G

	Cabardan		Section 2	B	Ne	No profit or gols from-	free-		lecome fram		Adjusted
Adjected grees income class		Divisionals :			Till a	Perhandia	Sales of capital susts	Rents and reyabilies	freets and	Orles a	ij
Taxable returns:	1									*	
\$600 and under \$1,000	90.6	0.0	-	0.1	4.1	1.0	0.7	6.0	0.1	0.5	100.0
\$1,000 and under \$3,600	87.0	0;	1.1	9,	7.4	1.2	7	1.2	-	1	100.0
\$3,000 and under \$5,000	88.9	e,	•	*	6.5	1.3	9.	0:	-	1 2	100.0
\$5,000 and under \$10,000	90.2	0;	œ,	4	4.8	1.6	9	7	-		100.0
\$10,000 and under \$20,000	72.2	4.0	 eo:	2	11.8	5.9	2.0	1.8	47		100.0
\$20,000 and under \$50,000	42.4	11.1	3.0	*	20.4	14.5	4.7	3.1	eq.	*	100.0
\$50,000 and under \$100,000	34.2	21.9	3.1	*	10.6	17.8	6.0	3.1	1.0	0.1	100.0
\$100,000 and over	18.1	38.9	2.8	2	3.3	10.6	23.2	3.3	13	3.1	100,0
fotal taxable returns	81.3	3.1	1.2	4	7.6	3.6	1.7	1.2	q	1	100.0
Nontaxable returns:											
Under \$1,000	76.1	1.4	3.2	17	15.5	1.9	2.6	5.4	4	-7.4	0.001
\$1,000 and under \$3,000	66.3	2.2	2.9	3.5	17.0	1.9	1.8	4.6	9	9.	100.0
\$3,000 and over	77.4	2.6	17	1.4	11.8	2.5	1.9	1.9	4	-12	100.0
Total nontexable returns	71.6	2.2	2.5	2.4	14.9	2.1	1.9	3.7	4	-1.7	100.0
Total all returns	908	3.1	1.3	4	8.1	3.5	1.7	1.4	d.	1 3	100.0

Footnotes, see Table F. SOURCE: U. S. Treasury Department, Statistics of Income, 1958 (Preliminary).

TABLE H

How Big a Bite Does the Federal Income Tax Take?

The tax rates ranging from 20 to 91 percent give the impression that the federal income tax takes a "whopping" bite from the taxpayers' income. The facts as shown by the information in CHAPTER THREE are that federal income taxes take a far smaller proportion of each person's income than is shown by the tax rates.

The table below gives the best available information on how much of each person's "adjusted gross income" actually goes to federal income taxes.

By the time the taxpayer has taken all the deductions, exemptions, and credits available to him, single persons end up paying from 10 to 56 percent of the "adjusted gross income" they report on their tax return. Married couples, who benefit from the "split income" provision, pay consistently lower rates, ranging from 5 percent at incomes under \$3,000 to 49 percent at incomes of \$1,000,000 and over.

Even these figures are too high because "adjusted gross income" specifically excludes many different kinds of income. It is impossible to measure accurately the amount of these exclusions in each income bracket. However, it is possible to do this for one of the biggest exclusions, namely, one-half of all realized long-term capital gains. The effect of adding in these capital gains is shown in the last two columns of the table. When these excluded capital gains are added to gross income, the effective tax rate is greatly reduced on upper bracket incomes, and even the progressive character of the tax schedule disappears at the upper end of the schedule. The tax take for the wealthy single individual with \$1 million income is reduced to less than 40 percent and to about 34 percent for married couplies.

Effective Tax Rates on Adjusted Gross Income, 1956

Adjusted Gross Income	Taxes as Pe	ercent of Ac	ijusted Gross Incom			usted Gross Incom Capital Gains
(thousand \$)	Single	Returns	Joint Returns	Single Ret	urns	Joint Returns
Under 3		9.5	4.5	9.5		4.5
3-5	, 1:	3.4	7.2	13.3		7.1
5-7	1.	5.4	9.6	15.3		9.6
7-10	1	7.1	12.3	17.0		12.2
10-15	1	9.6	14.6	19.3		14.3
15-20	2	3.8	17.2	23.1		17.3
20-25	2	7.5	19.6	26.5		18.8
25-50	. 3	4.4	25.0	32.7	- :	23.7
50-100	4	2.1	35.2	38.6		32.2
100-150	4	8.3	41.4	41.5		35.4
150-200	. 4	8.5	44.5	40.3		36.9
200-500	5	3.1	46.8	41.8		36.6
500-1,000	5	4.9	49.7	39.8		35.8
1,000 and over	. 5	6.3	49.4	39.9		33.5

SOURCE: U. S. Treasury Department, Statistics of Income, 1956.

TABLE I

Exclusions, Deductions, Exemptions and Tax Credits for Individual Income Tax

Item		Explanation
EXCLUSIO	ONS	- face 2.81
1. Interest of government	n state and local nt bonds	Interest on private and U.S. government bonds taxable; state and municipal bond interest specifically exempt from taxation.
2. Gifts, inhe	oritances, and bequests	Taxable under special estate and gift tax laws, but not as "income."
3. One half capital ga	of realized long-term lins	Where property, such as real estate or stocks, is held more than 6 months, ½ of any profits ("gains") from selling the property is excluded from income. Maximum tax rate on such gains is 25 percent.
4. Unrealize at death	d capital gains transferred	if a person bequeaths property at death, none of the increase in its value up to that time is ever counted as income. The new owner counts as capital gains income only that part of the in- crease between the date of inheritance and the date he sells it.
5. Dividend	oxclusion	First \$50 of dividend receipts are excluded from income (\$100 on joint returns).
	e depletion and explora- levelopment expenses	Income from an unincorporated trade or business operated by the taxpayer is reported as "ne profit" after a number of business expenses and deducted. Beyond the usual business expenses (a "exclusions") all, gas and mining businesses an allowed especially favorable deductions in the form of depletion allowances against the "exhaustion" of the property plus quick write-offs of expenses for exploring and developing new properties. Also owners of leased all, gas or minera properties are entitled to depletion allowance against the royalties they report as income.
7. Trunsfer	payments	Benefit payments under government social insu- ance programs; individual receipts from publi assistance programs. Also, veterans' benefits, mil- tary disability pay and pensions, and certai military cash allowances.

8. Wage supplements

- Employer contributions to private pension and welfare funds; employee sick pay up to \$100 a week, and employer-financed payments for medical care or injuries. Death benefits paid by an employer to employee's beneficiaries (up to \$5.000).
- 9. Expense accounts and other employer-provided privileges
- Value of such benefits as recreational facilities, apportunities to buy at discount, expensepaid vacations, country-club memberships, use of company cars for personal business, etc.
- 10. Life insurance preceeds
- Lump-sum proceeds to beneficiary of a life insurance policy, installment proceeds may be partially or wholly excluded depending on special rules.
- 11. Interest on life insurance savings
- interest accumulated on policy reserves is not taxable to policy-holder.
- 12. Dumagos er insurance payments for personal iliness er injury
- Damages collected as a result of court action or under insurance policies.
- 13. Followships and scholarships
- Excluded in full if student is working for a degree. Limit of \$300 a month if recipient is not a candidate for a degree.
- 14. Income in kind (partial exclusion)
- Value of meals and lodging furnished to an employee if done for convenience of employer.
- 15. Imputed rent of owner-occupied homes
- Homeowners, by not having to pay rent, in effect receive income equal to the value of rent they would otherwise have to pay (after deductions for interest, property taxes, depreciation, etc.). This "Imputed rent" is excluded from income.

PERSONAL DEDUCTIONS

1. Standard deduction

A 10% deduction from income, used if taxpayer does not list deductions separately. Maximum is \$1,000.

2. Interest

Interest paid on personal debt, such as bank loans, installment sales contracts and home mortgages.

3. Taxes

Most state and local taxes, such as on income, personal property and retail sales. (No federal taxes are deductible.)

4. Contributions

- Gifts to non-profit, religious, charitable, educational organizations. Maximum deduction is 20% of income (30% if contributions are to certain types of organizations.)
- 5. Medical and dental expenses
- Deductible if in excess of 3% of income (persons age 65 and over may deduct without regard to 3% minimum). Maximum deduction is \$2500 for a single person, \$5000 for a married couple. Higher maximums for persons 65 or over who are disabled.

- 6. Casualty lesses and thefts
- Property losses due to theft or accidental damage, such as by fire, flood or automobile accident.
- 7. Child care expenses

An employed woman or a man who is widowed, separated, or divorced may deduct up to \$600 for payments made to provide care for a child or a disabled dependent. Deduction is reduced for employed wife if couple's combined income exceeds \$4,500 and eliminated entirely if their income exceeds \$5,100.

8. Allmony

Deductible by husband if made in periodic payments.

9. Expenses connected with production or collection of income

Various job-connected expenses, such as dues to a union or professional society and fees paid to an employment agency. Cest of work clothes and uniforms, as well as other expenses incurred in transacting employer's business in excess of amounts relimbursed by employer. Lawyer's fees involved in collecting income (such as alimony).

10. Expenses connected with munagement or maintenance of incomeproducing property Example is rental of safe-deposit box.

11. Expenses connected with tax

Legal expenses incurred in preparing tax return or contesting tax assessments.

12. Cambling losses

Deductible up to amount of gambling winnings.

EXEMPTIONS

1. Personal exemptions

\$600 deduction each allowed for taxpayer, taxpayer's spouse, children and other dependents.

2. Exemption for ago

Additional \$600 deduction for taxpayer aged 65 or over, and for taxpayer's spouse aged 65 or over.

3. Exemption for blindness

Additional \$600 deduction for taxpayer if blind and for taxpayer's spouse if blind.

CREDITS

1. Dividend credit

4% of dividend receipts in excess of \$50. (Credit may not exceed 4% of total taxable income.)

2. Retirement income credit

Designed to equalize tax treatment of those not receiving tax-free social insurance retirement payments. Maximum is 20% of the first \$1,200 of "retirement income" (specially defined to include various types of non-work income reportable for tax purposes.) The credit is reduced or eliminated if the taxpayer has social security benefits or other tax-exempt pension payments. Reduction is also made if the individual is under ege 72 and has work-earnings in excess of \$1,200. In general available only to persons 65 and over.

TABLE J

Corporate Profits Before and After Taxes, 1929-59 '
(DOLLAR AMOUNTS IN BILLIONS)

*	Corporate profits	Corporate	Corperate profits -	Corporate percent of na	
Calendar your	before taxes	fax Bability ²	after taxes	Before fuxes	After
1929	\$ 9.6	\$ 1.4	\$ 8.3	11.0	9.4
1930	3.3	.8	2.5	4.4	3.3
1931	8	.5	-1.3	-1.3	-2.1
1932	-3.0	A	-3.4	—7.1	8.0
1933	.2	.5	A	A	9
1934	1.7	3	1.0	3.5	2.0
1935	3.1	1.0	2.2	5.5	3.8
1936	5.7	1.4	4.3	8.8	6.7
1937	6.2	1.5	4.7	8.5	6.4
1938	3.3	1.0	2.3	4.9	3.4
1939	6.4	1.4	5.0	8.8	6.8
1940	9.3	2.8	6.5	11.4	7.9
1941	17.0	7.6	9.4	16.2	9.0
1942	20.9	11.4	9.5	15.2	6.9
1943	24.6	14.1	10.5	14.4	6.2
1944	23.3	12.9	10.4	12.8	5.7
1945	19.0	10.7	8.3	10.5	4.6
1946	22.6	9.1	13.4	12.5	7.4
1947	29.5	11.3	18.2	14.9	9.2
1948	33.0	12.5	20.5	14.8	9.2
1949	26.4	10.4	16.0	12.1	7.3
1950	40.6	17.9	22.8	16.8	9.4
1951	42.2	22.4	19.7	15.1	7.1
1952	36.7	19.5	17.2	12.6	5.9
1953	38.3	20.2	18.1	12.5	5.9
1954	34.1	17.2	16.8	11.3	5.6
1955	44.9	21.8	23.0	13.6	7.0
1956	44.7	21.2	23.5	12.7	6.7
1957	43.2	20.9	22.3	11.8	6.1
1958	37.7	18.6	19.1	10.3	5.2
1959	47.0	23.2	23.8	11.0	4.0

Includes all private corporations.

^{*} Includes Federal and State corporate Income and excess-profits taxes.

SOURCE: U.S. Department of Commerce, U.S. Income and Output; and Survey of Current Business.

TABLE K

Total Assets, Net income and income Tax of All Corporations by Size of Total Assets, 1957-58 (BOLLAR AMOUNTS IN THOUSANDS)

	AII	All returns		Returns with net	h net income	
Size of fotal assets	Number of returns	Total assets	Number of returns	Tetal assets	Net Income	Income
Under \$50,000	357,046	\$ 7,515,962	171,599	\$ 4,136,223	\$ 496,775	\$ 115,282
\$50,000 and under \$100,000	158,511	11,344,093	104,965	7,567,107	408'669	187,901
\$100,000 and under \$250,000	179,341	28,200,298	130,540	20,687,003	1,647,384	493,006
\$250,000 and under \$500,000	82,274	28,213,180	63,324	21,746,068	1,625,541	562,819
\$500,000 and under \$1,000,000	43,634	29,739,999	33,941	23,185,123	1,734,568	696,566
\$1,000,000 and under \$5,000,000	41,780	87,461,009	33,079	69,453,212	4,721,346	2,089,935
\$5,000,000 and under \$10,000,000	7,667	53,392,490	6,187	43,064,376	2,282,397	1,052,316
\$10,000,000 and under \$50,000,000	6,769	138,248,825	5,256	108,060,155	6.209.167	2.848.226
\$50,000,000 and under \$100,000,000	955	66,769,460	768	53,809,569	3,220,273	1.435,177
\$100,000,000 and over	1,129	545,514,906	1,006	509,240,183	25,700,599	10,984,990
Total	879,106	\$996,406,222	550,665	\$10,949,019	\$48,337,857	\$20,466,21
	Pe	Percentage distribution	flow			
Under \$50,000	40.6	0.8	31.2	0.5	1.0	9.0
\$50,000 and under \$100,000	18.0	1.1	19.1	6.0	1.4	0.9
\$100,000 and under \$250,000	20.4	2.8	23.7	2.4	3,4	2.4
\$250,000 and under \$500,000	9.4	2.8	11.5	2.5	3.4	2.7
\$500,000 and under \$1,000,000	5.0	3.0	6.2	2.7	3.6	3.4
\$1,000,000 and under \$5,000,000	4.8	8.8	0.9	8.1	9.8	10.2
\$5,000,000 and under \$10,000,000	6.0	5.4	1.1	5.0	4.7	5.1
\$10,000,000 and under \$50,000,000	0.8	13.9	1.0	12.6	12.8	13.9
\$50,000,000 and under \$100,000,000	0.1	6.7	0.1	6.2	6.7	7.0
\$100,000,000 and ever	0.1	54.7	0.2	59.1	53.2	53.7

' All active corporations with balance sheets.

SOUNCE: U. S. Treasury Department, Statistics of Income 1957-58, Corporation Income Tax Returns.

100.0

100.0

100.0

100.0

Present law rates

Alcoholic beverages:

Distilled spirits

Still wines

Sparkling wines, liqueurs, and cordials

Tobaccos

Cigarettes Cigars

Tobacco, chewing and smoking; and snuff

Stamp taxes, documentary, etc.:

Bond issues

Bond transfers

Stock Issues Stock transfers

Doeds, real estate, conveyances, etc.

Playing Cards

Manufacturers' excise taxes:

Air conditioners

Automobiles, etc.:

Automobiles, trailers, motorcycles, trucks,

buses, road tractors. Parts and accessories

Tires

Tubes

Tread rubber

Business machines (except cash registers)

Cameras, lenses, and film

Cigarette, cigar, and pipe mechanical lighters

Diesel fuel for highway vehicles

Electric, gas, and oil appliances

Electric-light bulbs and tubes

Firearms, shells, and cartridges Fountain pens and mechanical pencils

Gaseline

Lubricating all

Motches

Musical Instruments, phonographs and rec-ords, radio and television sets

Pistois and revolvers

Refrigerators, freezers, etc. Sporting goods and equipment

Retailers' excise taxes

Furs, jewelry, luggage, handbags, tailet preparations, etc.

Miscellaneous excise taxes:
Admissions, amount in excess of \$1
Bowling alleys, billierd and poel tables

Cabarets, roof gardens, etc. Club dues and initiation fees

Leases of safe-deposit boxes Telephone, telegraph, radio and cable

Transportation of persons
Truck use tax (vehicles in excess of 26,000 pounds taxable gross weight).

\$10.50 per proof gallon.

17 cents, 67 cents, \$2.25, \$10.50 per wine gal. \$1.92, \$2.40, \$3.40 per wine gallon.

\$9 per barrel.

\$4 per 1,000.

\$2.50 to \$20 per 1,000.

10 cents per pound.

11 cents per \$100 face value or fraction,

5 cents per \$100 face value or fraction.

10 cents per \$100 of actual value.

4 cents per \$100 or major fraction of value;

not to exceed 8 cents per share. 55 cents on amount between \$100 and \$500;

55 cents on each additional \$500.

13 cents per pack of not more than 54.

10 percent.

10 percent. 8 percent.

8 cents per pound for highway vehicle tires;

5 cents for other.

9 cents per pound.

3 cents per pound.

10 percent.

10 percent,

10 percent.

4 cents per gallon.

5 percent.

10 percent.

11 percent.

10 percent, 4 cents per gallon.

ó cents per gallon.

2 cents per 1,000.

10 percent.

10 percent.

5 percent. 10 percent.

10 percent.

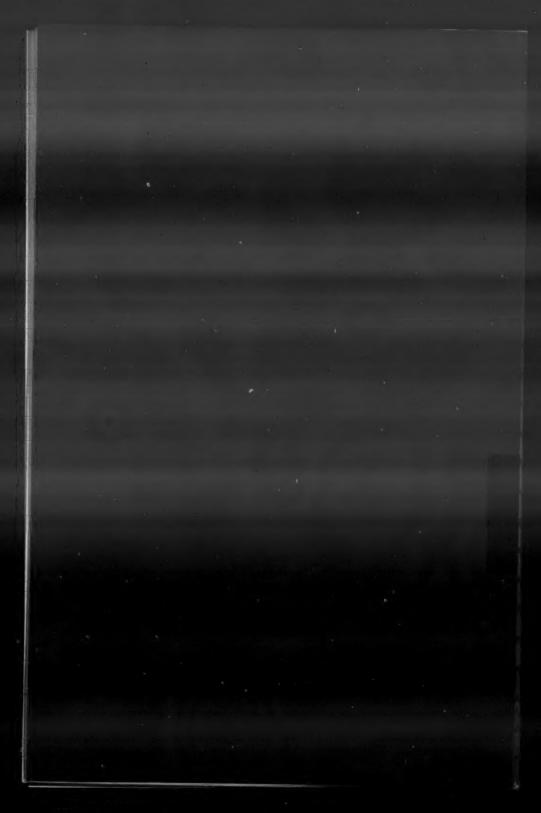
1 cent for each 10 cents or major fraction. \$20 per alley or table per year. 10 percent of taxable amount.

20 percent if charge exceeds \$10 per year.

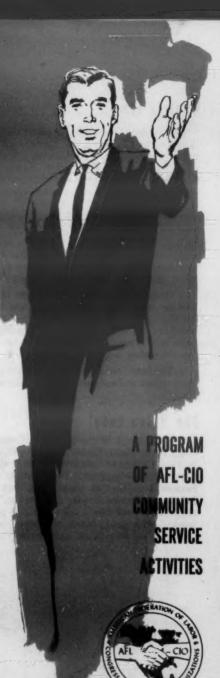
10 percent of amount collected.

10 percent of amount paid.
10 percent of amount paid (over 60 cents).
\$1.50 per 1,000 pounds per year.





COUNSELLING CONSUMBER



Consumer Counselling.

What Is It?

Consumer Counselling is an AFL-CIO program designed to safeguard the hard-earned dollars of union members and their families. A priority program of AFL-CIO Community Service Activities, Consumer Counselling is a common-sense, practical effort aimed at informing and educating union members on consumer problems.

It is virtually impossible to estimate the amount of money American workers could save through wise buying. It is safe to assume, however, that many of the hard-won gains at the collective bargaining table are being lost or dissipated when the American worker takes out his wallet.

Over the years, trade unionists have learned how to fight for and win the dollars they deserve for their labor. In today's complex society union members, as well as the general public, need to learn how to use their dollars to provide better lives for themselves and their families.

The battle for a living wage makes even greater sense when dollars earned do not become dollars wasted.

The Union Label

A vital part of the Consumer Counselling program is the Union Label. As the AFL-CIO resolution on Consumer Counselling points out, the program is being conducted by AFL-CIO Community Service Activities "in cooperation with the Union Label and Service Trades Department." This department is available to tell you which products are marked with union labels and which services are identified by shop cards and service buttons.



When you buy the Union Label way, you are making sure your consumer dollars are spent for goods and services produced with sound, honest craftsmanship by fellow trade unionists.

Union-earned wages dissipated on goods and services produced by non-union workers can work a real disadvantage to the union member and his family. Every union-earned dollar spent for products and services that are the handiwork of a fellow trade unionist helps make more secure the job and wages of the spender.

Labor's success and attainment has always been based on individual union members mutually supporting each other. This applies as well to our buying and spending habits as it does to our collective bargaining processes. To get the most and the best for his or her money, the individual union member must insist on the Union Label, the Shop Card and the Service Button when buying and spending.

There are three important parts in an effective consumer program. They are:

1. THE CONSUMER INFORMATION COURSE

How It Works

Consumer information courses generally consist of eight weekly sessions, although this may vary according to the needs and desires of a local group. These once-a-week class sessions last from two to three hours and are usually held in the evening.



Initial emphasis in the course should be on setting family goals. One family may want to establish a workable budget. Another may want to concentrate on a savings plan. Still another may want only to secure consumer information so that it can enjoy additional luxuries now, rather than looking to the future. These consumer courses do not



seek to impose any one family budget or any one set of standards upon those taking the course. Instead, each course participant should be encouraged to set his or her family goals at the outset of the course. The person taking the course should first decide what he wants and then use the course to achieve it.

Sponsorship:

The consumer course is an official AFL-CIO program and therefore must be sponsored by the Community Services Committee of the local central labor body in cooperation with the local Union Label and Service Trades Council.

Recruitment:

The Community Services Committee should encourage local unions to take part in these consumer courses. It should stress that the course is open to the husbands and wives of union members and should promote the participation of the union member and his spouse wherever possible. Consumer information is another community service activity of the AFL-CIO that attempts to strengthen family life. As such, it will have greater value if there is greater family representation.

Class Subjects:

A typical eight-session consumer course might include:

Opening Session

Purpose and operation of course; importance of the Union Label; how to plan sensibly for spending and saving; establishing a family spending plan

Second Session

Buying the most for your money—general techniques

Third Session

Buying specific products and services—clothing, appliances, etc.

Fourth Session

(1) Food marketing (2) Family meal planning

Fifth Session

Credit and installment buying

Sixth Session

Legal assistance and consumer protection

Seventh Session

Health Care—paying the doctor, hospital and druggist

Eighth Session

Insurance—personal, auto and home

Often a ninth session is held to include a subject or subjects of special interest to the class or to evaluate or summarize the course.

AFL-CIO Community Service Activities will make available certificates which can be presented at the final session or graduation ceremony to those who have participated in the course.

Class Speakers:

An informal atmosphere should be established right from the start. In addition to speakers, sessions should be dressed up whenever possible through the use of class demonstrations and visual aids such as films and charts. For example, in a session on meal planning, a qualified member of the Meat Cutters Union could explain various cuts of meat by having an actual side of beef in the classroom; or in a session on clothing buying, an experi-



enced member of a garment union could use an actual garment to illustrate what to look for in styling and wearability.

Speakers on consumer topics may be secured from among the following sources:

- Extension Services of Home Economics Departments of universities
- Universities' Economics Departments
- Home economics teachers at local high schools
- State managing directors of the Credit Union League Managers of local credit unions
- Adult education economics teachers Legal Aid societies
- Legal Aid Committees of local bar Associations
- Union attorneys
- State consumer protection agencies Union health center staffs
- Better Business Bureaus
- Area offices of U. S. Federal Trade Commission and Food and Drug Administration

2. THE CONSUMER CONFERENCE

Many cities have found it effective to hold oneday or two-day consumer conferences to launch interest in the program before starting a series of courses, or to satisfy a specific consumer need in the community. In many instances, these conferences center on one or two key problems such as consumer credit, wage assignments and garnishments, or consumer protection agencies.

Typical agenda for a consumer conference might be:

A.M.—1. Registration Coffee Hour

- An Overall View of the Consumer

 - An Overall view of the Consumer
 Problem—Speaker
 Safeguarding the Consumer—
 A. Through government agencies—
 Speaker
 B. Through private agencies—Speaker
 C. Through consumer representation in
 - government-Speaker
- LUNCHEON-"The AFL-CIO Consumer Program"-Speaker
- Workshops-20 to 25 participants to dis-P.M.—1. cuss any of the following topics:
 - A. Family spending plans

 - B. Borrowing money and credit C. Buying the most for your money D. Insurance—personal, home, auto E. Fraudulent advertising, gyps and

 - F. Labeling-weights and measures, food and drug
 - G. Medical and hospital care and drugs 2. Summary of Conference Adjournment

It is important that during such conferences, the point of view of organized labor be clearly stated. This would include a statement on the value of buying Union Label goods and using Shop Card and Service Button services.

It is also important to keep in mind that speakers should concentrate on their subject rather than the agency from which they come. As a rule, speakers should limit their talks to approximately 20 minutes in length and allow plenty of time for discussion.

In planning a consumer conference, it should be remembered that the conference is not designed to stimulate the adoption of resolutions or for policy making purposes.

THE CONSUMER CLINIC

The consumer clinic is intended to provide the union member with a resource to which he can turn when he becomes involved in a specific consumer problem which requires legal or other expert guidance.

The clinic, which should be established in consultation with the appropriate legal agencies, can be set up in a union hall or office one or two evenings a week under the direct sponsorship of the central labor body's Community Services Committee.

The clinic can be staffed by a union lawyer or a representative of the Legal Aid Society on a strictly voluntary basis. This service could be publicized through union channels and local news media.

The consumer clinic, similar to all other parts of consumer Counselling, must be based upon the highest ethical standards. The program is not designed to promote any specific service or brand, and special care should be exercised against its possible use for personal gain.

FOR MORE INFORMATION

Detailed information on Consumer Counselling may be obtained by contacting your local Community Service Activities staff representative, the Community Services Committee of your central labor body, or AFL-CIO Community Service Activities, 9 East 40th Street, New York 16, New York.



American Federation of Labor and Congress of Industrial Organizations

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President Secretary-Treasurer

AFL-CIO Community Service Activities 9 EAST 40th STREET, NEW YORK 16, N. Y.

> JOSEPH A. BEIRNE Chairman

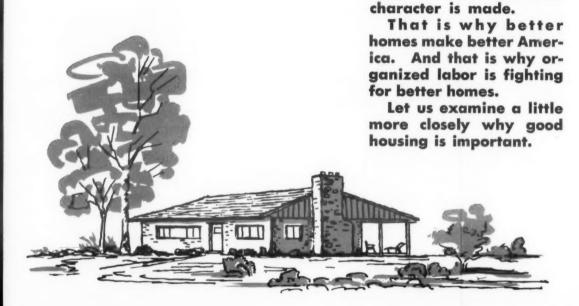
LEO PERLIS Director ROBERT A. ROSEKRANS
Assistant Director



BETTER HOUSING * FOR A BETTER AMERICA



housing is homes



Consider first, why it is important to the individual.

- An employed worker who works 40 hours a week on the job, and uses six hours a week travelling to and from work, spends a minimum of one-half and a maximum of more than two-thirds of his time at home. Periods of illness or unemployment during the year mean that even a greater proportion of time is spent at home.
- A housewife, whose main responsibility is homemaking, spends from 55 percent to 95 percent of her time at home.
- A preschool child spends from 65 percent to 95 percent of his time at home.
- A school child, attending an elementary school, spends between 50 and 70 percent of his time there.

Next consider why housing is important to the family.

- All family functions center in the home: eating, sleeping, child care and child nurture, preparation of food and care of clothing.
- Family health and comfort depends largely on the structural quality of the home which forms the family shelter.



The American home is

where the American fami-

ly life begins. It is where

the family grows, both

physically and spiritual-

ly. It is where the real fiber of the American

- Social and civic life of the family, its relations with friends and neighbors, are all centered in the home.
- Much of the family recreation is also centered in the home: many precious and vital hours of family leisure are spent in the home.
- Thus the home provides the basis for the family's spiritual, intellectual and cultural life. It is where the character of Americans is first shaped.

Consider, then, why housing is important to the community.

- A larger proportion of the community area is used for housing than for any other purpose.
- Residential property yields a major portion of the local community's real property tax income.

 Services for residential areas, including schools, take more than one-half of the community income from real property taxes.

And, above all,

The most important function of any community is to build, maintain, service and protect its homes and the families within them. Utilities, industry, business, trade, services, and government are means toward this end.

And, finally, consider why housing is important to the nation.

 Residential construction is one of the major industries. Prosperity of the whole country depends, in large numbers, on the healthy level of homebuilding activity.

- Abnormally low level of residential construction preceded the great depression of the early 1930's and every economic recession since that time. It is in the national interest to keep residential building active enough to sustain prosperity and growth of the whole economy.
- The nation's health is, in a large measure, determined by the quality of its homes.
 Good, comfortable houses are needed for good health of adults and for healthy growth of children.
- Women, engaged in homemaking and in the raising of children, are producing, by all odds, the most important national asset. Their working places should conform at least to the standards of health and safety maintained in industry and to the requirements of industrial hygiene.





National concern in good housing for all Americans was brought into focus by organized labor in early 1930's, when the country was staggering out of the shambles of the great depression.

In those dire depression years, residential construction came to almost complete standstill. But the need for homes kept right on growing. In the face of the great national crisis, labor called for national leadership and national action to help communities with purposeful plans and programs for more and better housing that was desperately needed.

This call met with a sympathetic response from President Franklin Delano Roosevelt and from his Secretary of Interior, Harold L. Ickes.

With labor's support, a housing program was embodied in the Public Works Title of the National Industrial Recovery Act of 1933. This was our first national program to make good housing available to low-income families. It was an emergency program, but it began the job.

It was in 1933 also, and also with labor support, that legislation was enacted to establish the Federal Housing Administration to guarantee and insure mortgages up to 90 percent of the value of a home.

But, in 1935, organized labor took a historic step in launching a major drive for the enactment of a permanent federal program to help communities develop low-rent housing projects for low-income families.

Although the first campaign, mounted in 1935 to pass the Wagner-Ellenbogen Housing Bill, ended in its defeat, the victory was finally won in 1937 with the passage of the United States Housing Act, authored by Senator Robert F. Wagner of New York.

And so, on November 1, 1937, the United States Housing Authority was set up in Washington, as the first federal agency to carry forward a national program of publicly-aided low-rent housing for low-income families. Headed by Nathan Straus of New York as its Administrator, the USHA was not only the realization of labor's dream of a vital housing and slum clearance program, but an important milestone in the exercise of national responsibility for housing.

Despite a continuous attack on public housing from reactionary forces on all sides, the program has survived, and, by 1949, Congress was prepared to approve and proclaim the principle of national responsibility for good housing for all Americans.

This was done in 1949, more than a decade ago, when Congress enacted into law the Wagner-Ellender-Taft Housing Bill. In this bipartisan measure, passed with massive backing by organized labor, Congress declared the national housing goal to be "a decent home in a suitable living environment for every American family."

Now, more than a decade after this declaration, this goal is still tragically far from attainment. It is a tragic fact of our national life that one out of every four families is still ill-housed.

In 1960, the AFL-CIO estimated that, to meet the nation's minimum housing needs, 2,300,000 houses a year must be built, about two-thirds above the then current level. Unless this pace of housing activity is achieved, the spreading blight of slums will continue to engulf our cities.

Labor is fighting for an expanded, comprehensive, forward-looking housing program aimed at providing a decent home for every family, regardless of race or income, in well planned, modern communities.

Labor's stated national housing policy objective is aimed at construction of at least 2.3 million dwellings a year.

The cornerstone of labor's housing program is a large-scale, low-rent public housing program to provide decent homes for low-income families.

Labor's next major objective is an effective program of low-interest, long-term loans to provide good homes within their means to moderate-income families, elderly couples and individuals who are forced out of the housing market by sky-high financial charges and rents.

Labor is also pressing for expansion and redirection of the urban renewal program with major stress on slum clearance and redevelopment of cities to provide good homes, in well-planned communities, within the financial reach of ordinary American families.

Labor, likewise, is pressing for the assumption of positive responsibility by the federal government to assure equal housing opportunity to all families without regard to race, creed, color or national origin.

And, finally, labor insists on the development of sound programs of cooperative metropolitan area planning, to assure balanced development and growth of metropolitan areas.

These are the immediate objectives in labor's fight for housing.

Labor's long-term objective, toward which it is driving with a sense of deep urgency, is a good home for every American family.

Labor is fighting for the attainment of its housing goal, because it wants better life, better health, better welfare for all Americans.

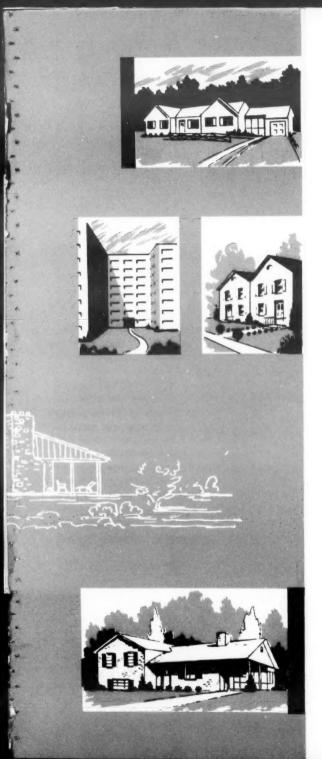
Labor fights for good housing, because labor wants America to be a better place to live.













AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 16th Street, N.W. Washington 6, D. C.

GEORGE MEANY

President

WM. F. SCHNITZLER

Secretary-Treasurer

Publication No. 110

AFL-CIO HOUSING COMMITTEE

HARRY C. BATES, Chairman Printed in U. S. A.





LANDRUM-GRIFFIN

J.ALBERT WOLL GENERAL COUNSEL AFL-CIO

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INTRODUCTION

Throughout the country international unions in conventions, and local unions in membership meetings, have made earnest efforts to revise their constitutions and by-laws and to conduct their affairs in accordance with the Landrum-Griffin Act, enacted on Sept. 14, 1959.

Their efforts must necessarily be groping and unsure because, approximately a year after its passage, the act still presents a confusing array of loosely worded, ambiguous and often conflicting provisions.

As just one example, Senator Barry Goldwater (R-

Ariz.), who was a prime mover in the enactment of this legislation, and Secretary of Labor James P. Mitchell, who is responsible for administering a substantial portion of it, engaged in a sharp exchange over the meaning of one of the act's most important provisions, dealing with the bonding of union personnel. When such persons cannot agree on what the act means, the difficulty faced by international and local union officers in trying to unravel its enigmas needs no further emphasis.

Yet the act has already required that union officials take numerous actions in order to comply with it. And in the future they must continue to conduct the day-to-day affairs of their unions with one eye on its many complex provisions.

As the Secretary of Labor himself has noted, many local union members are reported to be shunning office rather than run the risk of court suits or jail sentences under the new law. Ironically, a law purportedly intended to foster union democracy may actually be tending to hamper it.

This pamphlet is designed to assist the union officer who must operate under the new law by presenting an overall description of the act. In many instances conclusions can only be tentative. Much further judicial and administrative interpretation will be required before its contours become clearly defined. Legal advice should be sought whenever specific questions arise, for the correct answer to a particular problem will often hinge on small but significant variations in the facts of a given case.

COVERAGE

The Landrum-Griffin Act applies generally to all labor organizations engaged in an industry affecting commerce. The Secretary of Labor has stated the act will be construed broadly to include all unions of any kind other than those clearly shown to be outside its scope. It covers almost any type of organization, no matter how small, which engages in collective bargaining in an industry affecting interstate commerce. In addition, any conference, general committee, joint or system board or joint council is covered if it is subordinate to an international union, even though the subordinate organization does not itself engage in collective bargaining.

A union composed entirely of government employes or of employes who are not engaged in an industry affecting commerce is excluded. However, an international union composed both of locals covered by the law and of locals not covered by the law would itself be covered. Furthermore, in such an instance even the locals generally excluded from coverage would be subject to its provisions insofar as they participated in the affairs of their covered international, for example, in the election of international officers or delegates to international conventions.

The Secretary of Labor has concluded that state and local central bodies are excluded from the term "labor organization," so such bodies do not fall under the act. However, he has ruled that it does cover other regional and local councils, such as building trades councils, even where composed of locals from different internationals.



Title I of the Landrum-Griffin Act contains the so-called "Bill of Rights" of union members, which was added to the original Kennedy bill on the floor of the Senate. This title became operative immediately upon enactment of the Landrum-Griffin Act. It protects as a matter of federal law a wide spectrum of "civil rights" within labor organizations.

Broadly worded as it is, Title I still only safeguards those rights which are specifically enumerated. For ex-

ample, a union member cannot sue his union under Title I if he thinks he is being denied rights to which he is entitled under a collective bargaining agreement, since such rights are not the type protected in the "Bill of Rights."

The "Bill of Rights" ordinarily applies only to persons who are actually union members, unless they have been wrongfully expelled from membership. Unions retain the right to set their own standards for admission to membership. And the membership rights protected are those within a particular labor organization. Consequently, there is no federal right to transfer from one local to another.

Equal Rights—Generally speaking every union member must be given equal rights with his fellow members (1) to nominate candidates for union office; (2) to vote in union elections or referendums; (3) to attend membership meetings; and (4) to participate in union meetings and vote on the business coming before such meetings.

All these rights are subject to "reasonable rules and regulations," but such rules and regulations must be contained in the union's constitution and by-laws. The Secretary of Labor has suggested certain conditions which he thinks might properly be attached to the exercise of the right to vote in elections and the right to hold office. He says it would probably be proper to require a reasonable period of membership, such as six months or a year, or to require the completion of apprenticeship training, before granting the right to vote.

At the same time he warns that a union may not create special classes of non-voting members. Ordinarily, it would appear that a longer period of membership, such as two or three years, might be prescribed before an individual could be eligible to be a candidate for office. And, of course, requiring members to have their dues paid up to date in order to erercise membership rights would undoubtedly be reasonable.

Any such qualifications imposed on the exercise of membership rights must be set forth in the union's constitution and by-laws. Another provision requires that every union adopt a constitution and by-laws. Although the Secretary of Labor has indicated that a local union may meet this requirement by adopting an international's constitution through the act of affiliation, a local should carefully weigh the advantages which may be gained by the adoption of by-laws tailored to its own particular needs, but consistent with its international's constitution.

Free Speech and Assembly—Every union member has the right to express his views at union meetings on candidates in a union election and on any business properly before the meeting. This right is subject to the union's "established and reasonable rules" governing the conduct of meetings. Unless a union has a complete and detailed procedure covering the order of business at meetings it should consider incorporating by reference in its rules a standard parliamentary procedure such as "Robert's Rules of Order."

Union chairmen should not let this provision of the act put a straitjacket on their handling of meetings. Despite the broad language of the statute, the courts in all probability will uphold a chairman who is enforcing reasonable constitutional provisions in accordance with accepted parliamentary practice. Thus a court has held that the right of free speech and assembly does not give a member the right to introduce and argue for a motion which is con-

trary to the union's constitution and by-laws, such as a motion to suspend an officer without following the trial procedure provided by the union's constitution.

A union member also has the right to meet freely with other union members and to express any views or opinions. This would prevent a union from establishing a blanket prohibition of all outside caucuses.

The members' rights of free speech and assembly both in and outside of union meetings may be qualified by "reasonable" union rules covering (1) the responsibilities of members toward the union as an institution; and (2) interference by members with the union's legal or contractual obligations. This means that a union may establish rules against such threats to the organization as advocacy of dual unionism, secession, schism or "wildcat" strikes. Apparently, however, a union could not punish personal criticism of its officers in an outside caucus, unless such criticism could reasonably be construed as a breach of a member's duty toward the union as an institution. Naturally, civil remedies in the courts remain available to an officer who is injured by libel or slander.

Dues, Initiation Fees and Assessments—The rates of union dues and initiation fees in effect on Sept. 14, 1959, can be raised, and general or special assessments can be levied, only in accordance with certain procedures prescribed by the act. A local union may take such action by a majority vote of the members in good standing voting by secret ballot either (1) at a membership meeting after "reasonable notice" that a vote is to be taken on the question, or (2) in a membership referendum. What sort of "reasonable notice" is required cannot yet be determined. No doubt this requirement would be met by an announce-

ment at one regular meeting that a vote is to be taken at a meeting the next month, followed by posted notices at places where the local ordinarily posts bulletins. Mailed notices or notices in a regular publication of the union could also be used.

An international union may increase dues or initiation fees or levy assessments in one of three different ways: (1) by a majority vote of the delegates voting at a regular convention, or at a special convention held upon 30 days' written notice to each local union; (2) by a majority vote of the members voting by secret ballot in a membership referendum; or (3) by a majority vote of the members of the executive board or similar governing body, if they are expressly granted such authority by the union's constitution and by-laws. Action taken by an executive board or similar governing body, however, can be effective only until the next regular convention.

The restrictions imposed by the statute on the methods of increasing dues and fees or by levying assessments do not apply to a federation of national or international unions.

Right to Sue—Unions may require their members to exhaust reasonable hearing procedures within the organization before starting proceedings against the union or any of its officers in a court or administrative agency. But a union cannot discipline its members for failing to pursue internal remedies for more than four months.

However, internal hearing procedures may be retained even though they take longer than four months since in some cases the courts or agencies may require members to pursue internal remedies beyond four months before resorting to outside remedies. All that the act directly forbids is union limitation of members' rights to sue the union. It seems that it would not restrict a court or agency from applying the usual rules requiring an exhaustion of internal procedures.

In addition to spelling out members' rights to sue their union or its officers, the act provides that a union cannot limit the rights of its members: (1) to start an action at any time in a court or administrative agency against anyone other than the union or its officers; (2) to appear as a witness in any court, agency or legislative proceeding; or (3) to petition any legislature or communicate with any legislator.

Interested employers may not finance such actions by union members or take part in them except insofar as the employers are actually parties to the actions.

Disciplinary Action—Except for failure to pay dues, no union member may be "fined, suspended, expelled, or otherwise disciplined" unless he has been: (1) served with written and specific charges; (2) given a "reasonable time" to prepare his defense; and (3) afforded a "full and fair hearing."

The precise meaning of this vague, general language will only emerge after numerous court tests. The courts have already held, however, that "a full and fair hearing" in a union does not include the right to have legal counsel present.

It has also been held that refusal to reinstate a former member is not a violation of the act. As noted previously, the protections in the "Bill of Rights" only apply to union members or to those who have been wrongfully expelled from union membership. Furthermore, the provision only protects a member in his capacity as a member and not



in his capacity as a union officer. It does not prevent the immediate suspension of a person from his post as officer in an appropriate case, for example, where an emergency trusteeship is imposed prior to a hearing.

The restriction on disciplinary action apparently does not prevent a union or a union chairman from taking whatever appropriate action is immediately necessary to preserve order at a meeting. A member who is drunk or disorderly could be ejected without the formalities of written charges and a hearing. But all "automatic" fines, even of a token amount, may be suspect under the act.

One court has even held that a union must follow the prescribed disciplinary procedures before having an employer remove a man from his job, even though the member's rights within his union are in no way affected. This is a highly questionable decision, since the primary jurisdiction over labor-management relations and employe job rights, as distinguished from members' internal rights within their union, rests with the National Labor Relations Board and not with the courts.

How "specific" must charges be? Until the courts have spoken it can only be said that a union member must be fairly informed of the nature of the offense alleged. In most cases it is probably no longer sufficient merely to cite the section of a union constitution or by-laws prohibiting certain conduct. To be safe the charge should spell out, concisely and as accurately as possible, what exactly was supposed to have been done, where it occurred, and the approximate date and time.

Enforcement—Any person may bring a civil action in federal district court to enforce his rights under Title I. Injunctions or other appropriate relief may be granted. However, in such a suit under Title I there may only be enforced the specific rights spelled out in the title.

A union member cannot use a Title I suit to enforce rights which he claims by virtue of a collective bargaining agreement. He cannot use a Title I suit to secure a remedy pursuant to a court's general equity powers. And Title I of the Landrum-Griffin Act has been held to be not retroactive. This means that in a Title I suit a union member can only secure relief for the violation of rights under the title where the violations occurred on or after Sept. 14, 1959.

The provision covering enforcement of Title I rights does not expressly state that members must first pursue reasonable internal remedies before going to federal court. But in several cases the courts have declared that there must be such an exhaustion of available union hearing procedures before judicial enforcement can be sought.

Under another title of the act a union or union official is subject to a member's suit in federal district court if the union or union official fines, suspends, expels, or otherwise disciplines the member for exercising any right under the act. In addition, a willful use of force or the threat of force to keep any person from exercising any right to which he is entitled under the act is a federal crime subject to a \$1,000 fine or one year's imprisonment, or both.

Retention of Existing Rights.—In addition to the rights set forth in the "Bill of Rights," union members retain all other rights and remedies provided them by any other federal or state law or by the constitution or by-laws of their union. However, any provision of a union's constitution or by-laws inconsistent with the above-enumerated "Bill of Rights" is of no force or effect.

Despite the broad wording of the section on existing rights, it would appear that Title I necessarily restricts state law in at least some respects. For example, a state legislature could hardly prescribe procedures for raising union dues and fees which would be in positive conflict with the procedures prescribed by the federal law.

Copies of Collective Bargaining Agreements—Local union secretaries must send a copy of each collective bargaining agreement made by the local to any employe who requests a copy, if his employment rights are directly affected by the agreement.

An international union secretary must, even in the absence of a request, forward a copy of each agreement made by the international to each local union or other constituent unit of the international which has members directly affected by the agreement.

Both local and international secretaries must keep copies of any collective bargaining agreements made or received by the union and make them available for inspection at union headquarters by any member or by any employe whose rights are affected by the agreements.

So far as a local union is concerned, this means that if a collective bargaining agreement is executed by the local, any employe affected is entitled upon request to receive a copy. However, if the agreement is executed by the local's international, then an employe is not entitled to receive a copy but only to inspect one at the local union office.

Employes covered by collective bargaining agreements have the right to receive or inspect copies regardless of whether they are or are not union members.

Unlike the other rights secured by Title I, the right to copies of collective bargaining agreements is enforceable by the Secretary of Labor through a suit in a federal district court. It is not clear whether a private individual can also sue to protect this right.

Information Regarding the Act—Every union must inform its members concerning the provisions of the act. The act does not say how this is to be done.

International unions have frequently reproduced complete copies either in their journals or in special pamphlets and forwarded them to their members or their local unions. Many internationals have also sponsored lectures or seminars on the new statute.

Local unions would probably find it well to tell their members where a complete copy of the act may be found. The locals might also keep copies available for inspection by members at union headquarters and announce at a meeting or by a bulletin board notice that copies are available for inspection. New members should also be told about the act, perhaps at the time of initiation.

A union member may sue in federal district court if his union fails to provide the required information.

As can be seen, the great unknown factor in the "Bill of Rights" is the warrant granted the federal courts to breathe life into such protean terms as "reasonable" and "full and fair." In unsympathetic hands such words might be twisted to thwart honorable trade union purposes. Fairly interpreted these key phrases will enable a union to continue functioning effectively, despite the ever-present threat of a court suit by a disgruntled member.

Where will the federal courts turn to obtain guidance in applying to trade unions these statutory invocations of reasonableness? Three sources are likely: (1) court decisions testing the rules and procedures of government administrative agencies against the due process touchstone of the federal constitution; (2) the large body of law already written by the state courts on internal union affairs; and (3) the practices and procedures regarded as customary and reasonable among the substantial body of trade unionists themselves. Consideration of these standards against the background of the special nature and purposes of labor unions should help the federal courts to construe the new "Bill of Rights" with as much fairness and consistency as its wording allows.

SUGGESTIONS

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CHECK LIST OF SUGGESTIONS

Unions should take certain positive steps so that they can live with the act's "Bill of Rights." The following is a brief listing of certain minimum precautions that a union and its officers may wish to consider:

- Do the union constitution and by-laws spell out any reasonable qualifications which the union desires to impose on members' rights to vote and to participate in the union's affairs?
- Does the union have an adequate parliamentary procedure governing the conduct of meetings? Should it adopt, either in whole or in part, "Robert's Rules of Order"?
- Is the union properly protected by rules forbidding attacks on the organization as an institution and by rules forbidding members from interfering with its legal or contractual obligations?
- Has the union provided that dues and fees may be raised, and assessments levied, only in accordance with the procedures prescribed by the act? Have international unions prepared for unexpected financial emergencies between conventions by express constitutional provisions authorizing their executive boards temporarily to raise dues or levy assessments?
- Does the union have reasonable hearing procedures for enabling members to secure internal enforcement of their rights without resorting to outside courts or agencies?
- Has the union eliminated any provisions which would illegally limit a member's right to resort to the courts or outside agencies? Has it eliminated any provision which would require a member to pursue interpal remedies for more than four months before taking such action?
- Has the union provided proper trial procedures which must be followed before a member can be disciplined? Has the union eliminated provisions for any "automatic" fines or other discipline, except in the case of non-payment of dues?



The bill that became the Landrum-Griffin Act started out primarily as a reporting measure. Proponents felt that if employers and unions were required to make public their activities and expenditures in the labor relations field, they would desire to avoid embarrassing disclosures or criminal prosecutions for false reports.

This "goldfish bowl" existence was thus expected to foster proper conduct. Furthermore, reporting would enable union members themselves to take corrective action against any possible abuses which might be exposed. Certain basic safeguards for union elections were also to be provided.

This concept ran afoul of powerful anti-labor forces. Less interested in labor reform than in cutting down the effectiveness of labor unions, reactionary groups seized the opportunity to press upon Congress a measure which would minutely regulate almost every aspect of a union's day-to-day operations, and which would hamstring it by curtailing traditional methods of organizing workers and carrying on collective bargaining.

The reactionary opportunists succeeded. Of Landrum-Griffin's seven titles, only one title and a part of another deal with union and employer reporting. The original disclosure concept survives only in these two titles and in the ironically worded official name—the "Labor-Management Reporting and Disclosure Act of 1959." But for all this, knowledge of the reporting requirements is still essential for persons engaged in labor relations.

Six different types of reports must be filed with the Secretary of Labor. One report must be filed by employers who make certain types of labor relations disbursements. Another report is required of labor relations consultants if they engage in certain types of activities. The other four kinds of reports are to be filed by unions and union personnel.

Two of the union reports must be filed by all labor organizations subject to the act. The first is an organizational report covering the union's structure and operating procedures. The second is an annual financial report.

Two other reports must be filed by unions or union personnel only in certain circumstances. A union officer

or employe must report if he engages in a transaction where there may be a potential "conflict of interest" between his personal financial interests and his duties to his organization. A union must report wherever it assumes a trusteeship over any subordinate labor organization.

Union Information Report—Every union must file an initial report on its organizational structure and operating procedures within 90 days after it becomes subject to the act. For most unions this meant that the first report had to be filed by Dec. 14, 1959. This information report is to be signed by the union's president and secretary.

The Secretary of Labor has supplied Form LM-1 for unions to use in filing the required data. The information which must be reported parallels, in somewhat greater detail, the information that formerly had to be filed in order to comply with Sec. 9(f) of the Taft-Hartley Act.

Every union is required to adopt a constitution and bylaws and file a copy with the organizational report. The Secretary of Labor has interpreted this to mean that a union need not readopt a constitution and bylaws already in existence.

Furthermore, he recognizes that a local may have adopted an international's constitution as its sole constitution and bylaws, either by formal action or by the act of affiliating with the international. In this event the local need not file a constitution and bylaws, provided the international has filed a copy of its constitution on behalf of itself and all affiliated locals. However, if local unions have adopted bylaws of their own, these must be filed along with the local's organizational report.

Any changes in the information required by the organizational report regarding internal procedures must

be reported on Form LM-1A at the time the union files its annual financial report. A union that goes out of existence or loses its identity as a reporting organization is to file a terminal report within 30 days, according to the Secretary of Labor.

Union Financial Report—Every union must file an annual financial report within 90 days after the end of its fiscal year. The union president and treasurer are to sign this report. Terminal financial reports are required by the Secretary of Labor within 30 days of a union's dissolution.

The secretary has supplied two forms, LM-2 and LM-3, for unions to use in reporting their finances. LM-3 is a short form, two pages long, which may be used by a union with gross annual receipts (whether or not actually income to the organization) of less than \$20,000, if filing the regular detailed report would be unduly burdensome. All other unions must report finances on Form LM-2, which calls for eight pages of detailed figures and information.

In determining its eligibility to use the short form, LM-3, a local union need not count as receipts any portion of a checkoff which goes directly from the employer to the local's international or an intermediate body, and is there retained as the parent body's per capita tax or assessment. The parent body, however, must make a complete report on such transactions.

Union financial reports require the listing of assets and liabilities at the beginning and the end of the fiscal year, and receipts and disbursements during the year. Each of these general classifications must be reported in numerous separate breakdowns.

The act specifically calls for an accounting of union loans to any one officer, employe or member totaling more than \$250 during the fiscal year, and of any union loans to a business enterprise. Also singled out are the salary, allowances and expenses of each officer, and the salary, allowances and expenses of any employe who received a total of more than \$10,000 from the reporting union—or from it and any other union affiliated with it. How can a union keep all the bookkeeping straight on employes receiving payments from several unions? The act and the regulations do not say.

The Secretary of Labor and the AFL-CIO differed sharply over the detailed reporting of expense money for union officers and employes which is required by Schedule F of the financial form prescribed by the secretary. In the language of the statute, there must be reported "salary, allowances, and other direct or indirect disbursements (including reimbursed expenses) to" each officer and to certain specified employes.

The AFL-CIO contended that, apart from regular salary or allowances, this required the allocation to a named officer or employe only of payments made by the union for the individual's personal benefit and of reimbursements by the union for business expenses initially paid by him. For example, a union would have to report that it had paid back to its president the amount of money he had personally expended as business expenses while attending an international convention.

The federation argued that a union should not have to allocate to a specifically named individual payments made directly by the union to a railroad for tickets for its president when he is on a business trip, or payments for the rental of a business manager's office, or payments for stationery supplies used by its treasurer. In none of these

cases, the federation pointed out, does the union officer himself make the expenditure. He does not even handle any money. Thus the expenses are not "reimbursed" within the meaning of the statute. Nor is there any disbursement "to" the official. And as a practical matter, allocating such expenses to individual officers rather than reporting them merely as general disbursements could be a heavy administrative burden on a union.

The Secretary of Labor came up with a rather illogical ruling on the problem. He requires the specific allocation to each officer and employe of all disbursements for such expenses as travel, hotels and meals. This is so even though the expense is incurred wholly on behalf of the union and even though payment is made directly by the union to the railroad, hotel or restaurant, with the union official or employe never seeing the money.

The secretary has allowed a grace period to unions which would find it impracticable to allocate to named individuals business expenses paid directly by the union. He is permitting unions to list these disbursements as organizational expenses for fiscal years beginning before Jan. 1, 1960.

On the other hand, the secretary concludes that paying for office supplies, equipment and facilities for union officials does not constitute a disbursement to such officials within the meaning of the act. Therefore, such payments need not be allocated to individual officers or employes.

No satisfactory explanation has been supplied for treating payments for office supplies differently from payments for railroad tickets, when both the office supplies and the travel are for the benefit of the union and not for the

personal benefit of a union official, and are paid for directly by the union.

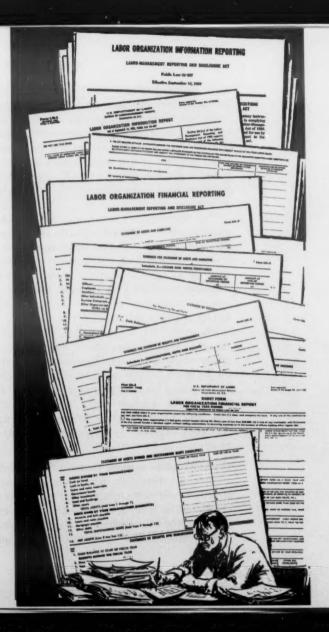
Union Officers and Employes Report—Union officers and employes must file an annual report if they have engaged in certain specified transactions which may result in a potential "conflict of interest" between their personal financial interests and their obligations toward their union and its membership. This report must be filed within 90 days after the end of each individual's fiscal year, which ordinarily ends on Dec. 31.

A union official is also required to file if his wife or a minor child is involved in a potential "conflict of interest" situation. But no official need make any report unless he or a member of his family has engaged in one of the specified types of conduct. A person employed by a union as a clerk or guard is not subject to the union employe reporting requirements.

Most of the specified "conflict of interest" situations involve a company which the official's union has organized or is trying to organize. The union official may have stock or some other interest in the company. Or he may have received income above and beyond payments received as a regular company employe.

He may have bought or sold stock in such a company, either for himself or for others. The employer might have engaged in some type of business transaction or arrangement with the union man. Or the latter may hold stock in, or receive income from, a business which has substantial dealings with the company organized by his union.

A union official must report any of these relationships with a company organized by his union. In addition, he



has to report any stock he holds in, or any income received from, a business which deals with his union itself. This would cover the firm which sells the union office supplies or which prints the union's journal.

Finally, a union official is told to report any payments received from any employer or labor relations consultant, except payments referred to in Sec. 302(c) of the Taft-Hartley Act. The latter section excludes such payments as dues received under a valid check-off arrangement and money paid in to an authorized union trust fund. A union official can be guilty of a crime in receiving employer payments not covered by the section. Therefore demanding a report on such payments may be unconstitutional under the Fifth Amendment's self-incrimination clause.

The reporting requirements generally do not apply to income or other benefits received by a union official in his capacity as a bona fide employe. And no report is necessary regarding purchases and sales of goods in the regular course of business at prices generally available to any employe. Ordinarily, there need not be reported investments in securities subject to federal registration, such as securities traded on a registered national stock exchange.

A union official would apparently not have to report if he purchases stock under a standard employe stock option plan where the stock is subject to federal registration. And nominal gifts from employers, such as a box of cigars at Christmas, would probably not have to be reported. But whenever a union official suspects he may have a reportable item, the only safe thing to do is obtain legal advice.

The Secretary of Labor has recently indicated that no

report is necesary on "lost-time" payments received by employes for time spent in activities other than their regular work, such as collective bargaining or grievance handling. To be exempt from reporting, such activities must be carried on under the terms or practices of a collective bargaining agreement, or under an employment policy or practice adopted without regard to whether an employe holds a union position.

As yet no forms have been issued by the Secretary of Labor for reporting by union officers and employes. Any person required to report could comply by preparing a letter or a simple statement setting forth the necessary information. It should be well understood that just because an individual has to report does not mean that he has engaged in any wrongful conduct.

Trusteeship Report—Any union that places a trusteeship over a subordinate union must file a trusteeship report within 30 days, and additional ones every six months thereafter while the trusteeship lasts. These reports have to be signed by the president and treasurer of the union imposing the trusteeship and by the trustees appointed to take charge of the subordinate union. A detailed statement of the reason for establishing or continuing the trusteeship must be supplied. There must also be outlined the role of the trusteed union's members in selecting delegates to conventions and in electing officers of its parent union.

The first trusteeship report has to contain a complete financial statement regarding the trusteed union as of the time the trusteeship was established. During a trusteeship the annual financial report required of all unions is to be filed on behalf of the trusteed union by its parent union, signed by the latter's president and treasurer and by the trustees in charge of the trusteed union.

The Secretary of Labor has not yet supplied a form for use in reporting on trusteeships. Until he does so, unions can submit the required information in a letter or a simple statement.

The parent organization imposing the trusteeship is to file a terminal financial report within 30 days after lifting the trusteeship. The annual and the terminal financial reports of unions in trusteeship are to be filed on Form LM-2. The short form, LM-3, may not be used for trusteed unions.

Employer's Report—Business interests punched many loopholes in the provisions for employer reporting. It is doubtful whether the mutilated remains will have any substantial value in exposing improper labor activities by employers. Indeed, of the first 100,000 reports received by the Secretary of Labor under the new law, less than a hundred came from employers.

Employers, other than credit institutions, have to report any payment or loan to any union official or representative, except payments of the kind mentioned in Sec. 302(c) of the Taft-Hartley Act (wages, checked-off dues, etc.). This in effect is inviting employers to confess they have committed a crime. Acceptances of the invitation will probably be rare.

Employers must report any payments to their employes for persuading other employes how to exercise their collective bargaining rights. But this requirement is gutted by a provision which says that an employer need not report any compensation for an employe's regular duties. If an employe's regular duties include persuading other employes not to join a union, his employer need not report payments to him. And in any event a report is not required if the employer tells the other employes that he is making such payments.

A report is called for on any expenditures aimed at interfering with the collective bargaining rights of employes. This would only cover payments made in the commission of an unfair labor practice, so it is unlikely that many employers will report such transactions.

Employers are supposed to report what they pay to obtain information about union activities in a labor dispute. But this provision does not apply if the employer can show that he is securing the information for use in an administrative, arbitral or judicial proceeding.

Arrangements with a labor relations consultant are to be reported where the consultant undertakes to persuade employes how to exercise their collective bargaining rights, or where the consultant undertakes to supply the employer with information about union activities in a labor dispute. Here again no report is necessary if the employer can show that the information is sought for use in an official proceeding.

Employers need not file a report on any person representing the employer in an official proceeding or engaging in collective bargaining on behalf of the employer. This exemption, too, allows the employer wide leeway in using the services of labor relations consultants.

The Secretary of Labor has supplied Form LM-10 for use by employers in submitting their reports.

Consultant's Report—Any person must file a report within 30 days after he agrees with an employer (1) to persuade employes how to exercise collective bargaining

rights, or (2) to supply information about union activities in a labor dispute, except information for use in an official proceeding. Thereafter an annual report must be filed on payments received under such an arrangement.

This requirement applies generally to independent labor relations consultants. It is broader than the provision for an employer's reporting of his direct activities, since it calls for the reporting of all consultants' arrangements for persuading employes how to exercise bargaining rights, even though their conduct does not amount to an unfair labor practice and even though the arrangement is disclosed to all employes.

Consultants do not have to report where they only "give advice" to an employer, represent him in an official proceeding, or engage in collective bargaining on his behalf. Obviously, it may often be difficult to draw the line between engaging in collective bargaining, which is not reportable, and persuading employes how to exercise their bargaining rights, which is reportable.

If an individual is directly employed by an employer, and if his regular duties include persuading other employes how to exercise their bargaining rights, he does not have to report. This means that an employer can insulate himself and persons working for him from the reporting requirements simply by placing them on his payroll with regular labor relations duties, instead of retaining them as independent labor relations consultants.

Clearly, there is an almost farcical lack of equality in the requirements of union reporting on the one hand, and employer and consultant reporting on the other. Unions must report all their receipts and disbursements, of every kind and description. As a matter of simple justice, employers and consultants at least should have to report all their receipts and disbursements in the labor relations field.

Lawyers do not have to report any information lawfully given them by a client in the course of a "legitimate" attorney-client relationship. This does not mean that the client himself can escape the obligation to report a transaction simply by communicating information about it to his lawyer. The bill which passed the House would actually have given employers this barefaced out; in its final version the act limited the exemption to the attorney.

The contents of all reports and documents filed with the Secretary of Labor are public information. Any person on request may examine the information contained in the reports, or obtain copies of the reports upon payment of a charge. The secretary is to make copies available free of charge to any state agency requesting them. State law cannot require any person to supply a state agency with information contained in a report filed under the federal law, if a copy of the report has been furnished the state agency.

All information required to be contained in reports filed by a union has to be made available by the union to all its members. The union and its officers must permit any member "for just cause" to examine its books, records and accounts in order to verify the reports.

Every person filing a report must keep available for five years all vouchers, work sheets, receipts and other records necessary to substantiate it.

A union, employer or other person does not have to report in an annual report on matters prior to Sept. 14, 1959. It is also unnecessary in such a report to supply information regarding any part of a fiscal year during which a person is not subject to the act.

Enforcement—The reporting provisions are subject to both criminal and civil sanctions, including injunctions. However, failure to file does not cut off access to the facilities of the National Labor Relations Board, as was the case under Sections 9(f), (g) and (h) of the Taft-Hartley Act. These sections were repealed by the Landrum-Griffin Act.

A fine up to \$10,000 and imprisonment up to one year are prescribed for willful violations of the reporting requirements, for deliberately false statements or willful omissions in any report, or for willful falsification, concealment or destruction of any supporting records.

Each individual who has to sign a report is personally responsible for filing the report and for any statement in it which he knows is false.

The Secretary of Labor is authorized to bring a civil action in federal district court to prevent or remedy violations of the reporting provisions. In addition, any union member may sue in federal or state court to secure access to the books and records of his union necessary for verifying reports filed by the union.

REPORTING TIMETABLE

- Unions and union representatives are now under a continuing obligation to file periodic reports on many of their activities. The following schedule should be kept in mind:
- A union's annual financial report is due 90 days after the end of its fiscal year. For most unions this means the deadline is Mar. 31 (Mur. 30 in least years!) or Sept. 28. Changes in constitutional provisions or internal union procedures must be reported at the same time.
- Trusteeship reports are due within 30 days after a union is placed in trusteeship, and every 6 months thereafter.
- Terminal reports are due within 10 days after a union dissolves or has a trustociship over it lifted.
- A union ometal's "conflict of interest" report due within 90 days after the end of any fiscal year in which he has a reportable matter. Ordinarily this



For most unions the impact of Taft-Hartley has been felt only at certain crucial times. A union carrying on an organizing drive or protesting against an employer's unfair labor practices would of course want to look closely at the statute. But otherwise federal law has until recently played a relatively small role in the routine affairs of a labor organization.

All this is now changed. International and local unions must engage in a continual struggle to adjust their day-today operations to the Landrum-Griffin Act's many detailed, and often unclear, controls over internal union affairs.

Among the wide variety of internal matters regulated by the new labor law are elections and removals from office, trusteeships, the handling of union funds, bonding, and loans to union officers or employes.

Elections—The election provisions in Landrum-Griffin are a curious mixture of minutely-prescribed procedures on the one hand and glaring omissions on the other. For example, in secret ballot elections a union must mail an election notice to each member at his last known home address at least 15 days prior to the election. But having imposed this costly and generally useless requirement, the act then proceeds to give no guidance whatsoever on the important subject of filing vacancies in office.

Local unions must elect their officers at least every three years. For intermediate bodies such as joint councils and conferences the maximum period between elections is four years, and for international unions five years. Election requirements apply to all constitutional officers, the members of a union's executive board, and persons exercising "executive functions" in a union.

The maximum periods between elections begin running from the date a union first becomes subject to the election requirements. For most local unions, this was Dec. 13, 1959. If a local officer was elected to a five-year term on June 1, 1959, he would have to stand for a new election within three years from Dec. 13, 1959. However, he may serve those three full years even though this means that he will be in office for a total period of more than three years.

Local unions must elect their officers by secret ballot. International unions may elect either by secret ballot among the members or at a convention of delegates who have been chosen by secret ballot. Officers of intermediate bodies may be chosen by secret ballot among the members or by union officers representing the members, provided that the officers themselves have been elected by secret ballot.

A secret ballot vote may be conducted by ballot box, mailed referendum, voting machine or any other method which keeps secret the way a particular person votes. But proxy voting is not allowed in secret elections. Where ballots are sent to members by mail, the ballots may include or be accompanied by the required election notice, provided they are mailed at least 15 days prior to the election.

The Secretary of Labor has ruled that where any union uses secret balloting in elections required by the act, a secret ballot vote is necessary even though an office is uncontested. Obviously this requirement will cause an unreasonable waste of unions' time and money.

Where international unions or intermediate bodies choose the alternative method of electing officers at a convention of delegates chosen by secret ballot, there is no need for the convention vote itself to be by secret ballot. Local officers may be delegates by virtue of their office, provided this is spelled out in the union's constitution and bylaws. In effect, in this situation, the election of a person to the position of local officer also constitutes a simultaneous secret ballot election to the post of delegate.

The act pays especially close attention to campaign procedures. International and local unions have a duty to

meet all reasonable requests of any candidate to distribute campaign literature at the candidate's expense. And they must treat all candidates equally regarding the expense of distributing campaign literature and the use of membership lists.

Each candidate has the right on one occasion during the 30 days prior to election to inspect a list of the names and addresses of all the members of the union who are subject to a union-shop contract. However, a union need not supply a candidate with a copy of this membership list or allow him to copy the entire list. The inspection is intended to permit a spot check on union membership.

There is a broad requirement that adequate safeguards must be provided to insure a fair election. This includes the right of any candidate to have an observer at the polls and at the counting of the ballots.

Subject to certain qualifications, every union member in good standing is eligible to run for office. The privilege of holding office is denied to Communists and to persons who have been convicted of any one of a long list of crimes ranging from robbery to the vague offense of "assault which inflicts grievous bodily injury."

This statutory restriction lasts for five years after a person has terminated Communist Party membership or for five years after his conviction or the end of his imprisonment. The Justice Department looks on parole time as equivalent to imprisonment. In case of a conviction or imprisonment, the disqualification may be lifted before the end of the five years upon restoration of a person's citizenship rights or upon favorable action by the Justice Department's Board of Parole.

The ban on Communists and ex-convicts applies not

only to union officers but also to business agents, organizers or other union employes, except employes who serve only as clerks or custodians.

A union may impose reasonable and uniform qualifications on the right to be a candidate. The Secretary of Labor has indicated that it would ordinarily be proper to require membership in good standing for two or three years before allowing a person to run for office.

He also has said that a union may earmark certain positions for representatives from a particular region, craft, shift or similar division. This permits an international, for example, to establish regional vice-presidencies.

A "reasonable opportunity" must be given to nominate candidates. No particular nominating procedures are prescribed, but a union should see that the membership is acquainted with the offices to be filled and with the time, place and manner of making nominations. If other statutory requirements are met, the same notice used to notify members of an election may be used to acquaint them with nominating procedures. But according to the Secretary of Labor, nominations and elections cannot be held at the same local union meeting.

Each member in good standing is entitled to one vote in secret ballot elections. However, a union may prescribe reasonable rules and regulations covering voting eligibility. The Secretary of Labor has declared that it may be appropriate to defer voting rights until an individual has been a member for six months or a year, or until he has completed his apprenticeship training. But he adds that a union may not create "special classes of non-voting members."

A member on checkoff may not be declared ineligible to vote or to be a candidate simply because his employer fails to transmit his dues to the union on time.

There must be preserved for one year the ballots and all other records pertaining to an election, or, if the election is held at a convention, the delegates' credentials together with the minutes and other convention records dealing with the election.

As has been indicated, the Landrum-Griffin Act contains no provision on filling vacancies in office. The Secretary of Labor has indicated that if an unforeseen vacancy requires a union to fill an office more than once during a term, the union's constitution and bylaws may provide for some reasonable alternative to be followed instead of the regular election procedure, such as selection by the executive board.

Removal of Officers—The Landrum-Griffin Act provides, in two sections marked by especially poor draftsmanship, for the removal of elected local union officers guilty of serious misconduct. The procedure works somewhat as follows:

The Secretary of Labor must issue rules prescribing "minimum standards and procedures" for determining the adequacy of the removal procedures contained in a local's constitution and bylaws. Any member of a local union may complain if he thinks his union's procedures for removing an officer guilty of serious misconduct do not meet these minimum criteria.

The secretary is then to hold a hearing. If he determines that the local's constitution and bylaws do not provide an adequate removal procedure, the officer may be removed "for cause shown and after notice and hearing" in a secret ballot of the members in good standing.

Somewhere in this whole procedure a federal district court may take a hand. But precisely when or how is something the act manages to conceal behind a welter of words.

The statutory removal provisions apply only to local officers, and not to officers of international unions or intermediate bodies.

Enforcement—Provisions governing both elections and removals of officers may be enforced by civil suits brought by the Secretary of Labor in federal district court. Such action follows after the lodging of a timely complaint by a union member. A complaining member must first pursue internal remedies up to three months and then go to the secretary within one month thereafter.

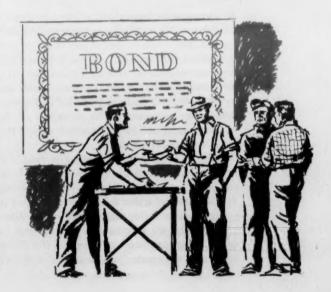
The court may order a new election if it finds after a trial that there has been a violation which may have affected the outcome of an election, or if it finds that an election has not been held within the prescribed time. There is no provision for criminal prosecution.

A candidate himself may sue in federal district court to enforce his right to have a union make a reasonable distribution of campaign literature in local and international elections.

Existing state remedies to enforce the constitution and bylaws of a union prior to the conducting of elections may be used in addition to the remedies provided under the new act. However, once an election has been conducted its validity may only be challenged in accordance with the federal law's provisions for action by the Secretary of Labor.

Trusteeships—Trusteeships may only be established for certain specified purposes, including the carrying out of the legitimate objects of a labor organization. Once in trusteeship, a union is subject to certain special statutory restrictions on its activities.

It is now a federal crime to count the votes of a trusteed union's delegates in a convention or election of the parent union unless the delegates have been chosen through secret ballot by the trusteed union's members. Also made a criminal offense is the transfer to the parent of any funds of the trusteed union except the normal per capita tax and assessments payable by all subordinate bodies.



The trusteeship provisions are enforceable in federal district court either by the Secretary of Labor or by any union member or subordinate body affected by any violation.

The federal courts have disagreed on whether a union member must first file a complaint with the secretary before going directly to court himself. To date, the majority have said that individual members or organizations cannot go to federal court until they have sought a remedy through the secretary.

Although the status of trusteeships may still be litigated by individuals in state courts, once the Secretary of Labor files a complaint the jurisdiction of a federal district court becomes exclusive. This outts all other courts of authority to act regarding the trusteeship.

Fiduciary Responsibilities—Union officers, agents, shop stewards and other representatives occupy positions of trust in their organizations. This means that union representatives must hold the union's money and property solely for the benefit of the organization and expend it in accordance with the union's constitution and duly adopted resolutions. And they must not engage in transactions where there is a conflict between their personal interests and the interests of the organization.

If any union representative violates his fiduciary duty to the organization, any member may request the union to seek an accounting or other remedy. If no action is taken "within a reasonable time" after the request is made, the complaining member may then himself sue the union representative on behalf of the organization. Any recovery will be for the benefit of the union.

Embezzlement or theft of a union's funds or property

by a union officer or employe is now a federal offense, subject to a fine of \$10,000 and imprisonment for five years.

The great danger of the fiduciary section in the Landrum-Griffin Act lies in its susceptibility to unreasonable interpretations. Fairly construed it should not limit the purposes for which unions may expend their funds. In unfriendly hands it could be used to hamper union expenditures contributing to the economic and social well-being of the union and its members.

As a practical matter, a union's constitution and bylaws, or resolutions of its governing body, should spell out both the purposes for which the organization's funds may be disbursed and the procedures to be followed in authorizing disbursements.

Bonding—By the beginning of their first fiscal year after Sept. 14, 1959, most labor organizations and all trusts in which a union is interested must be covered by bonds conforming to specifications laid down in Landrum-Griffin.

Every union officer, agent, shop steward or other representative or employe who handles union funds or property must be bonded, unless the total value of all the union's present property and its financial receipts for the preceding fiscal year does not exceed \$5,000. Officers and employes of any trust in which a labor organization is interested must also be bonded. This applies to both union and employer appointees in a joint union-employer trust.

Bonds must be obtained only for persons who handle "funds or other property." The Secretary of Labor concludes that this term covers cash and such quick assets as checks and government bonds, but not property of

a relatively permanent nature, like buildings and office equipment.

Persons who must be bonded because they "handle" funds include everyone who has such control over union funds that mishandling on his part would create a substantial risk of loss.

Shop stewards collecting dues would normally have to be bonded. But clerks handling union funds under close supervision might not have to be. A president and treasurer who sign checks would be covered. However, an executive board may not have to be bonded as a group merely because it determines general investment policies. Some guesswork is unavoidable in deciding who must be bonded.

The amount of the bond of each person is to be at least ten per cent of the funds handled by him or his predecessor during the preceding fiscal year. But no bond need exceed the tidy maximum of \$500,000.

A serious defect in the draftsmanship in the bonding provision is the use of terms having no definite technical meaning. The Secretary of Labor has apparently ruled that the bond required by the act is neither a true "honesty" bond, which protects against willful misconduct, nor a traditional "faithful performance" bond, which may cover even faulty judgment. The secretary indicates that the act calls for some sort of rare hybrid in between.

Bonds must be "individual or schedule in form." Properly concluding that the purpose of the bonding provision is to protect union funds, the Secretary of Labor has declared it sufficient for a union to obtain a single bond covering any holder of one or more specified positions, regardless of who may occupy the post at a given time.

Such a "position schedule" bond, as it is called, supplies fully as much protection as the more costly and cumbersome process of obtaining bonds for named individuals. But still Sen. Barry Goldwater (R-Ariz.) complained bitterly that the purpose of Landrum-Griffin was to require bonds for specifically named individuals, thus letting bonding companies exercise a veto power over who could hold union office.

Fortunately the Secretary of Labor stuck to his guns. He thus spared unions the great expense and inconvenience of obtaining individual bonds, and prevented the usurpation by bonding companies of the right of union members to choose their own officers.

Bonds must be secured from a corporate surety company that is on an approved list of the Secretary of the Treasury. No bond may be placed through a broker or with a surety company in which any union or union representative has any interest.

As a result, unions must abandon inexpensive selfinsuring arrangements no matter how sound they are. However, it would still seem proper for an international to assist locals in the obtaining of bonds, so long as the international does not actually serve as broker.

Willful violations of the bonding provisions are subject to \$10,000 fine and imprisonment for one year. This would apply both to the person not covered by the required bond and to the union or union official permitting him to handle union funds without being bonded.

Loans, Fines and Employer Payments—It is now a federal crime for a union to make a loan in any amount to an officer or employe of the union which results in a total indebtedness of more than \$2,000 to the union.

A union is also guilty of a federal offense if it pays the fine for any officer or employe convicted of any willful violation of the new labor law. However, a union may advance the costs of defending an officer charged with a violation of the act in an appropriate case, such as one where the membership decides to tests the validity or applicability of a certain provision.

A number of revisions have been made in Section 302 of the Taft-Hartley Act, which deals with improper employer payments to unions or union officials. One of the most significant changes expressly authorizes payments by employers to trust funds established for the purpose of previding such benefits as pooled vacation arrangements, or for the purpose of defraying the costs of apprenticeship or other training programs.

Extortionate Picketing—The term "blackmail picketing" was much bandied about by anti-labor forces intent on crippling unions' use of honorable and traditional organizing methods such as picketing. True extortionate or "shake-down" picketing, which has occasionally been used by certain racketeers to secure bribes from employers while selling out the workers, is made a federal crime by a short section in the "miscellaneous" title of the act.

Ironically, picketing covered by this new ban was already outlawed by other federal anti-racketeering statutes. But this was of no moment to persons in search of a scare slogan to use in their broad-scale assault on all honest union picketing.

The real damage to legitimate picketing activities was done in a series of harsh anti-picketing amendments to the Taft-Hartley Act. These will be discussed later.



"Labor reform" was the battle cry used by the forces fighting to push a tough or "killer" labor bill through Congress in 1959. But there is strong evidence that these forces were not so much concerned with stopping the relatively small number of abuses in a few labor unions as they were with cutting down the ability of unions to advance their members' economic interests.

For the most controversial of all the Landrum-Griffin Act's seven titles is the last one, containing amendments

to the Taft-Hartley Act. And these amendments deal only remotely, if at all, with labor reform. Their primary purpose is to bring about a massive shift in the economic balance of power between unions and management.

Landrum-Griffin sets out to do this in three principal ways. First, local authorities, often hostile to unions, are given more definite control over labor matters than they have enjoyed in the last 25 years. Next, unions' right to seek the assistance of fellow workers and sympathetic employers in labor disputes has been drastically curtailed. And finally, severe restrictions have been placed on traditional types of picketing.

Federal-State Jurisdiction—State courts and agencies can now occupy the former "no-man's land." This means that when the National Labor Relations Board declines to assert jurisdiction over a labor dispute affecting interstate commerce, the states are empowered to act.

The jurisdictional standards of the NLRB in effect on Aug. 1, 1959, however, cannot be revised so as to narrow the board's jurisdiction still more. If the board would have acted on a particular type of labor dispute on that date, it may not decline to assume jurisdiction now or in the future. This will prevent the states from securing an increased area of jurisdiction.

Nothing prevents the board from enlarging its jurisdiction, thereby decreasing the area in which the states may act. So there is hope that a future board, more sympathetic to the value of a uniform national labor policy, may ease much of the sting of the new act's injection of unfriendly or inexpert state tribunals into the complexities of labor-management relations.

The NLRB has announced it will supply parties to proceedings before the state tribunals with an advisory opinion on whether it would assert jurisdiction over a particular dispute, thus displacing the state agency. Unions should petition for such an advisory opinion whenever they are charged in a state court or agency with a labor relations violation in a situation where they believe the dispute may be subject to federal jurisdiction and where they believe that an adverse decision would result in the state proceeding.

Perplexing problems will arise if each state can fashion its own body of substantive labor rules, differing from federal law. To cite just one example, employers whose fluctuating volume of sales and purchases moves them in and out of federal jurisdiction from year to year, as well as the unions dealing with them, will be confronted with the constant threat that what seems today a legitimate act may become an unfair labor practice at the close of the fiscal year.

Time will undoubtedly confirm the wisdom of the simple solution for the "no-man's land" proposed by AFL-CIO President George Meany. The NLRB, he urged, should be required to act on all disputes within its jurisdiction, and should be given enough money to do the job.

Secondary Activities—Sec. 8(b)(4) of the original Taft-Hartley Act prohibited a union's striking, or urging the employes of any employer to strike, where the union had for its purpose any one of several listed objectives. The best known of these forbidden objectives is the so-called "secondary boycott," for example, forcing a neutral or

secondary employer, such as the Acme Construction Company, to cease buying bathtubs from the Black Plumbing Company, which a union is trying to organize.

Under Taft-Hartley, however, the type of conduct that a union was forbidden to use in furthering these objectives was group action, such as a strike, or the encouragement of group action by the employes of a neutral employer. Unions were not stopped from inducing action by an individual employe, such as a truck driver delivering supplies. And there was no restriction under Sec. 8(b)(4) on direct dealings with an employer. In general, the new Taft-Hartley amendments extend the prohibitions on union conduct as follows:

- An "individual" employed by any person cannot be induced by a union to further a secondary or other prohibited objective. A strike or other group action is no longer an essential ingredient in a violation.
- A union cannot "threaten, coerce, or restrain" any person for the purpose of promoting secondary or other forbidden objectives. This means that a union may not take coercive action even directly against an employer to achieve a prohibited object.

Under the original Taft-Hartley Act there was no ban on secondary boycotts achieved through inducing action by employes of governmental bodies or of employers subject to the Railway Labor Act. As a result of the new amendments, the inducement of these employes is also forbidden.

The inducement of secondary action is prohibited when directed toward any "individual" employed by any person.

Apparently this was meant to cover not only employes in the strict sense, but also supervisory personnel in certain instances. But union appeals for support are not outlawed if addressed directly to the employer. So obviously there should be no prohibition against appeals to a corporation president, even though in a sense he is an individual employed by the company.

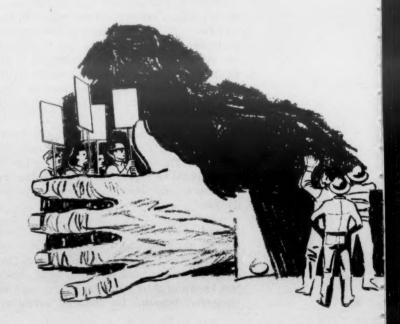
The NLRB's general counsel, its trial examiners and the courts are in disagreement over how far up in the hierarchy of management the line is to be drawn. One enlightened view would forbid, apart from appeals to employes, only appeals to lower ranking supervisors or foremen who are asked to act contrary to their employers' interests.

A union may seek employer support through simple persuasion, unaccompanied by any kind of threat. So apparently a union may still circulate an unfair list among employers. But if an employer agrees to cease doing business with some other person, instead of simply doing so without agreement, there may be a violation of the "hot-cargo" prohibition.

Publicity other than picketing may be carried on to advise the public that a non-union manufacturer's products are being distributed by another employer. This permission for consumer publicity is said to be lost if the publicity has the "effect" of interfering with deliveries or other services at the neutral employer's establishment.

Examples of allowable publicity are radio and newspaper advertisement. By its terms the statute would seem to outlaw even pure "consumer picketing" of a neutral establishment. Such a prohibition of consumer picketing may violate the constitutional guarantee of free speech.

It is expressly provided that honoring a primary picket line is lawful if the picket line has been set up by a striking union which the employer is required to recognize as the representative of his employes. Indeed, the changes in Sec. 8(b)(4) were aimed generally at so-called "secondary activities" and were not intended to affect the existing rights of unions to engage in primary strikes or primary picketing. This means, for example, that an organizational picket line is not made unlawful merely because the employees of a trucking company refuse to cross it.



"Hot-Cargo" Contracts—The act makes unlawful and void most "hot-cargo" contracts, that is, agreements by which one employer "ceases or refrains" from handling or using the products of another employer or "ceases" doing business with any other person.

Since the statute uses both the words "ceases or refrains" when referring to products and only the word "ceases" when referring to doing business, it can be argued that it does not prohibit an employer's agreement to refrain from entering into a business relationship involving only services and not products. It is obviously impossible for an employer to "cease" doing business with someone unless a business relationship has already been established.

In a frequently used type of "hot-cargo" contract the employer does not agree to cease doing business with any person, but simply agrees not to discipline any employe who refuses to handle non-union or unfair products. The statutory prohibition does not expressly cover this type of contract. Especially in a situation where supervisory personnel are available to handle unfair products, it could well be maintained that an agreement not to discipline employes for refusing to handle them is not even an implied agreement on the part of the employer not to handle. Thus a voluntary agreement not to discipline may not be forbidden.

The prohibition on hot-cargo contracts does not apply to agreements covering integrated processes in the garment industry. It also does not apply to an agreement between a union and an employer in the construction industry relating to the contracting or subcontracting of work "to be done" at a construction site. It is not yet clear whether the construction industry exception covers work which

could be done at the job site, such as pipe fabrication, as well as work which is actually done there.

Subcontracting clauses in the garment industry may be enforced by strike action. The NLRB's general counsel has indicated that building trades unions cannot strike to enforce their subcontracting agreements. This latter interpretation will undoubtedly be contested in the courts, since it undermines much of the value of the exception granted construction unions.

Hot-cargo provisions have generally been considered a special type of secondary boycott. But the ban on hot-cargo clauses is so worded that some commentators have suggested it also applies to the primary activity of a labor union in protecting workers' job content by securing the employer's agreement not to contract work out of the bargaining unit. Such a distorted interpretation could make a mockery of many collective bargaining agreements.

Picketing—Taft-Hartley's new Sec. 8(b)(7) prohibits two types of picketing in three different types of situations. The kinds forbidden are (1) picketing to force an employer to recognize a union, or (2) picketing to force employes to join a union. While the statute speaks in terms of "forcing" employers or employes, it is apparent that the present labor board will construe it as applying to all recognition and organizational picketing, even though peaceful. The ban does not apply to picketing by a certified union.

There are three situations in which the two kinds of picketing just mentioned are forbidden:

 Where the employer has lawfully recognized another union and an election petition cannot properly be filed, for example, because of the board's contract bar rules.

- Where a valid board election has been conducted within the preceding year.
- Where the picketing has been conducted for more than a "reasonable" time, with 30 days the maximum, without an election petition being filed.

It is expressly provided that the third situation won't cover informational pickets advising the public that a firm does not employ union members. Supposedly this exemption is lost if the informational picketing causes any person employed by a third party to refuse to make deliveries to the picketed employer.

Properly construed, the section should not affect pure consumer picketing at all, since such picketing does not "force" anyone to do anything. But the labor board seems bent on trying to bar even consumer picketing if it has the effect of stopping deliveries, regardless of the union's object or intent in establishing the picket line.

Where the primary purpose of picketing is informational, some courts have realistically held that it is lawful even though it may have a long-range organizational objective. Another court has taken the narrow view that such dual purpose picketing does not escape the ban.

The NLRB must direct an election "forthwith" when a petition is filed in the third situation previously discussed. This is so even without a showing of substantial interest on the part of the employes in joining the union.

But before the speedy election process can be started, the board says there must also be filed an unfair labor practice charge against the union for carrying on the picketing an unreasonable length of time. In the absence of the unfair labor practice charge, any representation petition would be treated under the normal procedures of Sec. 9(c) of Taft-Hartley. And a court has ruled that a union cannot get a quick election by filing a charge against itself.

A showing of substantial employe interest is not required before a union may begin picketing an employer. But as indicated, the picketing can continue for only 30 days at the most unless an election petition is filed.

Recently a board trial examiner "reluctantly" concluded that Sec. 8(b)(7) outlawed even picketing by a majority but uncertified union protesting against an employer's unfair labor practice, where the picketing lasted more than 30 days and also sought recognition. This stark demonstration of Landrum-Griffin's union-busting potential was somewhat balanced by another trial examiner's refusal to apply the act in a similar situation. The second trial examiner declared that he would not deprive unions of rights long deemed fundamental without a clearer statement that Congress so intended.

A majority union facing employer charges under 8(b)(7) should consider counterattacking by filing charges against the employer for refusing to bargain. The NLRB's General Counsel has indicated that in such cases he may hold the employer's charges in abeyance until the charges against the employer have been resolved.

The harsh mandatory injunction provisions of Taft-Hartley apply both to the section outlawing hot-cargo contracts and to the section forbidding recognition and organizational picketing in the three enumerated circumstances.

Economic Strikers—Although most of the Taft-Hartley amendments were severely damaging to labor unions, a few were favorable. For example, employes who are strik-

ing for economic benefits, as distinguished from employes who are striking in protest against an employer's unfair labor practice, may now vote in representation elections conducted within one year after the beginning of the strike, if the strike is still going on. This right to vote is subject to regulation by the labor board.

The right of employes striking against an unfair labor practice to vote in elections is not expressly covered by the act. Under board decisions, however, such employes have the right to vote so long as they are entitled to reinstatement to their jobs as unfair labor practice strikers.

Prehire Contracts—Prehire contracts are now specifically allowed in the construction industry. These contracts

may ordinarily require union membership as a condition of employment after the seventh day of employment. While prehire contracts may be executed in "right-towork" states, there of course they cannot require union membership.

Prehire contracts may provide for non-discriminatory referral of job applicants through a union hiring hall. They may also specify minimum training or experience qualifications or provide for priority in employment opportunities based on length of service with an employer, in the industry or in a particular geographical area.

It is not necessary that the majority status of a union be established in accordance with usual Taft-Hartley pro-

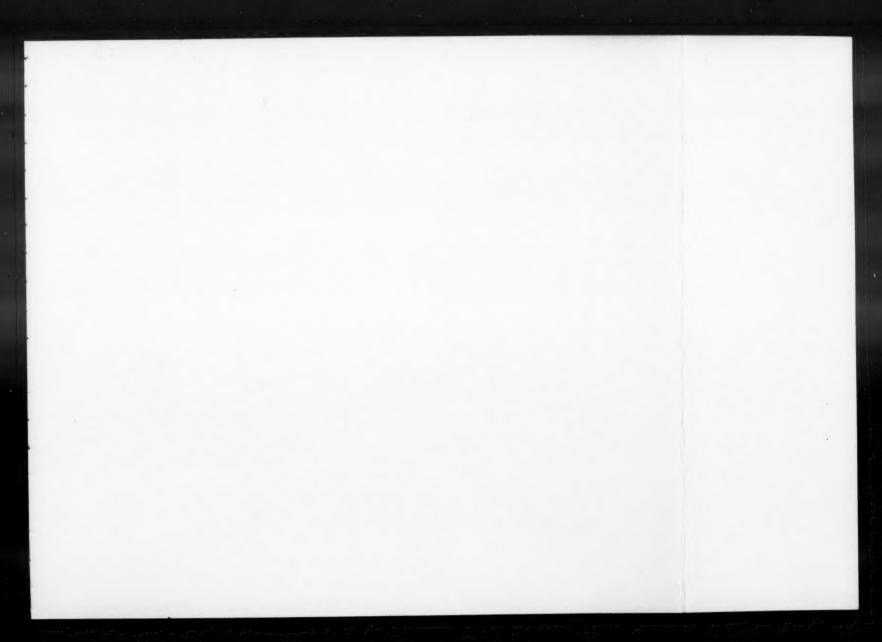


cedures before a prehire contract may be executed. However, such a contract does not bar a representation petition by another union or a decertification or deauthorization petition by the employes covered by the contract.

The favorable Taft-Hartley amendments were generally non-controversial. They had long been advocated not only by unions but also by the Eisenhower Administration. On the issues where the battle lines were formed,

the fake lure of "labor reform" proved too strong, and for the most part the unions lost.

Hope for the future lies partly in a reasonable interpretation of the law by the courts and by a labor board more sympathetic than at present to the interests of the workingman. Even more, hope for the future lies in the hands of another Congress, which will refuse to be misled by false slogans, and which will restore a proper balance of economic power between unions and management.





AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 16th Street, N.W., Washington, D. C.

GEORGE MEANY President WM. F. SCHNITZLER Secretary-Treasurer

Based on a series of articles appearing in the AFL-CIO Federationist
May through August 1960

PUBLICATION NO. 111

November 1960



BLOOD

A Statement of Understanding

between the

AFL-CIO Community Services Committee

and the

American National Red Cross Blood Program



AFL-CIO Community Service Activities

STATEMENT OF UNDERSTANDING

between the

National Blood Program of the American National Red Cross and the

Committee on Community Services of the

American Federation of Labor and Congress of Industrial Organizations

The American National Red Cross and the AFL-CIO Community Services Committee have reached this understanding in their mutual interest in the strengthening and development of a coordinated blood program based on the principles of the American Red Cross Blood Program and the AFL-CIO policy statements on blood banking.

- 1. The AFL-CIO Community Services Committee commends the American Red Cross for the following principles of its blood program:
 - A. A nationally coordinated program, based on regional and community affiliates;
 - B. Voluntary donors with community sponsorship providing blood as an acknowledged community service;
 - C. Blood reciprocity on a 1-for-1 basis, with due recognition of the attrition factor;
 - D. No requirement of segregation of blood by racial origin of the donor;
 - E. Highest standards of medical supervision;
 - F. Participation in research for advancement of blood therapy;
 - G. For its broad utilization of representative citizen interest groups both as donors and blood users, and in program planning.
- 2. The American National Red Cross recognizes the interest of the AFL-CIO on the development of improved voluntary systems of blood banks in accordance with the following principles:
 - A. That blood and blood derivatives be made available without cost for the blood itself;
 - B. That hospital and laboratory charges for administration and testing of blood be maintained at a minimum;
 - C. That all blood banks should operate under the uniform licensing standards as prescribed by the United States Public Health Service and the accreditation standards adopted by the Joint Blood Council;
 - That there be no segregation of blood or blood derivatives along racial lines;
 - E. That there be a national clearing house program for the exchange of blood and blood credits on a 1-for-1 basis:
 - F. That coverage include participants and family;

- G. That research in the field of blood and blood derivatives is essential to improved medical care.
- 3. The American National Red Cross recognizes the AFL-CIO Community Services Committee as the constituted organized labor channel for cooperative relations and welcomes the active support of this committee in the expansion and development of its National Blood Program.
- 4. The AFL-CIO Community Services Committee will regularly inform all AFL-CIO affiliates, including national and international unions and state and local central labor bodies, of the status and development of the American Red Cross Blood Program, and make program suggestions designed to strengthen the participation in and support of organized labor in the Red Cross Blood Program.
- 5. There shall be regular inter-change of information between the American Red Cross Blood Program and the AFL-CIO Community Services Committee relative to improvement of existing blood services and expansion of Red Cross programs into new areas. To implement this information exchange there shall be jointly called conferences at the national, regional and local levels as the need arises to develop plans for mutual cooperation in strengthening and exansion of the Red Cross Blood Program.

This statement of understanding is effective as of the date below and shall remain in effect unless terminated by written notice of either party.

Leo Perlis Director Community Services Activities American Federation of Labor and Congress of Industrial

October 18, 1960

Organizations

Sam T. Gibson, M.D.
Director
Blood Program
American National Red Cross

October 18, 1960

ile Sant. Silson

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

GEORGE MEANY
President

WM. F. SCHNITZLER
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Chairman

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A Businessman's Appraisal

of the

'RIGHT-to-WORK'

Proposal

Management Takes a Look
at an
Anti-Collective Bargaining
Law

By BERNARD I. SCHUB

Manager, Connecticut Dress Manufacturers Association

WHEN the quiz show fraud burst into the nation's headlines recently, this deception on the American people had a familiar ring to Connecticut readers. For the people of my state have been subjected to similar deceit every two years for the past decade.

I refer to the methods used by sponsors of the misnamed "right to work" law in trying to put it over on the Connecticut Legislature.

Our Legislature meets every two years. Each time it convenes, representatives of the reactionary wing of business show up with rigged arguments for legislation that could destroy the basis of effective management-labor relations in our state.

Someone has described these people as being so reactionary that they thought the spokesmen for the steel industry were pro-labor.

Like the Congressional committee that held hearings on the TV quiz show rigging. a committee of the Connecticut Legislature has exposed the "right to work" fraud as a conspiracy by outsiders who seek to impose a discriminatory and vicious law on the citizens of our state through deception.

However, these reactionaries keep coming back every two years. Apparently they have the idea that if you practice a deception long enough and say it loud enough, people eventually will believe you.

They put promising labels such as "right to work," "freedom of employment" and "voluntary unionism" on their proposal as part of the deception. But it is clear to anyone who

reads the fine print that this proposal does not guarantee anyone a job, that it shackles instead of giving freedom and that the sole purpose of "right to work" is to destroy the right of labor to organize and for management and labor to bargain collectively.

The Legislature and citizens of Connecticut have recognized the "right to work" deception as the fraud it is and have reacted to it with revulsion. There has been a great public outcry against this unwanted law in Connecticut, where we have enjoyed many years of industrial peace.

"Right to work" is recognized for what it really is and opposed by the wiser and saner heads of management, by our clergy, by the leaders of both political parties and by a great majority of our Legislature, as well as by working people and the organized labor movement.

In 1957 this anti-collective bargaining proposal was defeated in the Legislature by a vote of 150 to 88. In 1959 it was rejected by an even larger majority, 197 to 46.

I REPRESENT management. I have been a management representative for eighteen years in the ladies' garment industry, one of the largest industries in Connecticut and Lower New England. Our industry has a collective bargaining agreement with the International Ladies' Garment Workers Union.

I represent the interests of management, and I say frankly that our industry believes that the collective bargaining process, coupled with recognition of the proper role of organized labor in bargaining, has been a boon to us.

I would like to invite Secretary of Labor Mitchell to come to Connecticut and learn how collective bargaining has brought stability and industrial peace to an industry that once was wracked by constant strife and cut-throat competition.

We have not had a serious strike in our industry for a quarter century. We have our differences, of course, but representatives of management and the union settle them by collective bargaining.

I am a great believer that strikes and strife can be avoided under the American system by management and labor sitting down together and discussing their differences. We have made collective bargaining work in Connecticut.

As a management representative, I am unequivocally opposed to the misnamed "right to work" law. And I have unhesitatingly made my opposition clear in testimony before committees of our Legislature.

From the management standpoint, these deceptive proposals clearly

place management's best interests in ieopardy.

I say this because, by outlawing the union shop security now afforded workers under federal law, these proposals would ultimately destroy the base of the collective bargaining process that has brought sanity and stability-and a fairer and more dependable return—to our industry.

There are other reasons for my opposition, of course. At one of the legislative hearings I pointed out that the destruction of trade unions has been invariably a step toward dictatorship.

This happened in Nazi Germany. Fascist Italy and Communist Russia. The dictators first had to do away with the trade union movement. Therefore, I consider organized labor a bulwark of democracy.

To make the evil and dirtiness of the "right to work" deception really understandable, I believe it must be translated into terms of human experience.

Let me describe some of the conditions that existed in our industry before collective bargaining put a stop to them.

Bernard I. Schub, manager of the Connecticut Dress Manufacturers Association, Inc., of New Haven, Conn., for the past 18 years, is noted for his contributions to stable management-labor relations.

His knowledge of management-labor problems is based on nearly a half century of experience as a worker in the garment industry, as a

union agent, and as a management representative.

Mr. Schub worked in the garment industry under the sweatshop conditions he described in this article. He became a business agent and organizer for the International Ladies Garment Workers Union and durations.

organizer for the International Ladies Garment workers Union and unring the Roosevelt Administration served as a senior inspector of the Wages and Hours Division of the Department of Labor.

Because of his outstanding record, Mr. Schub was drafted by management to represent the garment industry in Connecticut.

Mr. Schub is a member of the executive board of the National Council for Industrial Peace, of which Mrs. Eleanor Roosevelt and former Senator Herbert H. Lehman, of New York, are co-chairmen.

Prior to 1933 our industry was in chaotic condition. There were frequent strikes and strife. Factory managers held the whiphand over all workers. They had the right, and used it, to hire and fire indiscriminately.

In 1911, when I first came to this country from Russia, and for a time afterward, there were substandard working conditions that at times brought about bitter strikes.

I will cite a few instances that were dealt with over the years, and which disappeared entirely under collective bargaining, with both management and labor working together to correct them.

Sweatshop conditions existed in many areas where workers were crowded together under unsanitary conditions. In some instances workers had to pay for drinking water. In others there was a charge of ten cents for each paycheck. There were other instances where workers had to bid for work when they showed up in the morning. Those who bid the lowest got the jobs.

All were paid by piece-work instead of by the hour. This resulted in economic compulsion to turn out the greatest possible amount of work. It kept some workers at their machines during lunch periods. They brought their lunch in a grocery sack and ate at the machine while they stitched. All of this to earn a wage that would allow them to subsist.

There were serious violations of the forty-eight-hour week. Some workers had to work right through into the night when they were told to. If you refused, you had no job.

In one instance—and the record is in the Connecticut Labor Commis-

sioner's office—a worker was paid as little as fifty cents for a week's work.

Contractors were not much better off. There was a system called "the auction block." A manufacturer would call in a contractor or jobber and ask: "Can you make this garment for me for \$2?"

If a garment was made for a dollar or two, someone else would make it for fifty cents less. This meant the worker was working for less and less. The time came when the manufacturers would get a complete garment for seventy-five cents.

The jobber had to meet the stiffest kind of competition forced by the manufacturers. So his income was cut. In turn, the legitimate manufacturer who dealt with the "trade" was hurt badly because a competitor could and would undercut him. The trade would buy from the manufacturer with the lowest price.

This was real cut-throat competition. We called it "the jungle" conditions were that bad.

These things are hard to believe today. But if there are any doubters, I refer them to the records compiled by Connecticut Labor Commissioner Joe Tone, who exposed them to public view.

As a matter of fact, I can do better than that. I recommend that Commissioner Tone's detailed record of this unhappy period be made required reading for the National Association of Manufacturers, the U.S. Chamber of Commerce, the so-called Committee for Freedom of Employment, the General Electric Company and a few others who sponsor the "right to work" fraud.

They are the outfits that provide the "right to work" money and propaganda—not the individual businesses in Connecticut.

WHEN the spokesmen of the NAM and the Chamber of Commerce tell a committee of the Legislature that the purpose of their proposal is to "free" workers from coercion, their deceit is enough to turn your stomach. In reality, what they seek to do is to bring back the industrial era in which management had all the rights and working people had none.

If they would like to know the real meaning of freedom, they should examine the files of the Labor Department and learn the amount of freedom accorded workers prior to 1933, compared to the amount of freedom enjoyed today when they are working under collective bargaining agreements.

I have tried to give a brief picture of those terrible conditions in this article. Now let us see how collective bargaining has brought decent working and living conditions as well as relative prosperity and industrial peace to our industry—for management as well as for working people.

I think it is well to remember that the aim of so-called "right to work" legislation is to destroy the thing that has made these gains possible.

By August of 1933 the conditions I have described had reached such a low point that there was a strike that shut down our entire industry.

The National Recovery Act had been approved, and at last there was some government help to aid in bringing about improvements in the lot of all.

The strike brought about urgently needed stabilization of the garment industry. The workweek was reduced to thirty-five hours and minimum wages were established for all crafts in the industry.

This brought about revolutionary changes.

Today, when a collective bargaining agreement is signed between management and labor, there are uniform wages, hours and working conditions throughout the industry.

This reverses the situation that once threatened ruin to our industry. This type of agreement helps set a base for the price of garments and to a degree prevents the cut-throat competition of the "auction block" and the "jungle."

It prevents cut-throat price underbidding from being the basis of competition between manufacturers. Today competition is where it should be —in style and value.

Prior to 1933 a worker in our industry averaged about \$12 a week for the long hours that then were standard. Today a machine operator makes between \$75 and \$120 for a thirty-five-hour week.

Garment workers in Connecticut now are able to own their own homes, buy automobiles and television sets, send their kids to college and take an active part in the civic affairs of their community.

The union shop and collective bargaining have also brought job security to the worker. He can no longer be fired at whim.

In our industry we have the proof that collective bargaining provides the true right to work.

I think it is fair to ask, "If all these changes have helped working people, what about management?" I believe management in our industry has derived many benefits from collective bargaining.

In the first place, stabilization of the wage base has done away with the ruinous competition of the "auction block" and "jungle" that was driving the whole industry to the wall. Management now can plan production and operating costs with some certainty that bankruptcy is not just around the corner.

Profits have risen for management despite the fact that our industry remains highly competitive.

An equally compelling factor is that collective bargaining has brought about an almost unmatched era of peace between management and labor. Before 1933 strikes of twelve to twenty-six weeks were frequent. Since 1933 we have had only one work stoppage in the industry. For twenty-five years we had continuous industrial peace.

I might add that the disagreement which finally came in 1958, and was not a major strike, came about through a desire by industry to enlist the union in efforts to enforce the union wage minimums on some nonunionized garment plants!

Our industry is certainly an outstanding example of management's desire to have complete unionization as an essential stabilizing factor. I believe other industries in our country can take a page out of our experience. Competition from non-unionized plants still remains an ugly threat to us. Some Southern states such as North Carolina have been trying to lure garment plants with promises of non-unionized workers who will accept wages forty to ninety cents per hour below union standards. Those who offer such lures prefer to ignore the fact that no pool of skilled workers exists in "right to work" states—and there is no likelihood that such a pool will develop under such wage rates.

I should like to point out that North Carolina and other Southern states are the stronghold of the fraudulent "right to work" movement. But I do not believe these states will succeed in returning the garment industry to the jungle. I have great faith in the common sense of the American people.

In our industry we take heart in the public revulsion to the rigging of TV quiz shows. A similar public reaction to the "right to work" deception was demonstrated conclusively in November of 1958 when voters in five states overwhelmingly rejected this fraud at the polls.

I am confident the Legislature and people of Connecticut will continue to recognize and reject the deceitful efforts of the National Association of Manufacturers and the Chamber of Commerce to undermine the peaceful management-labor relations which prevail in our state.

Reprinted from the AFL-CIO AMERICAN FEDERATIONIST, January, 1960

Distributed in the Public Interest by the

NATIONAL COUNCIL FOR INDUSTRIAL PEACE

1426 G Street, Washington 5, D. C.



Can You Afford To Be 65?

- Are you retired, or near retirement?
- Do you have aging parents whose health and happiness is your concern?
- Do you agree that workers who have earned honorable retirement should be protected from the crushing costs of illness?

Then you have a stake in the Forand bill (HR 4700).

The Forand bill attacks the most tragic unsolved social welfare problem of our day — the human and financial disaster that illness imposes upon the aged.

This problem can no longer be brushed aside.

THIS CONGRESS must act.

This Is What Happens Today

Let's see what a pensioner or a retired couple can do now to guard against "medical indigence," as the doctors call it.

Buy private, commercial health insurance, says the insurance lobby.

It is true that such insurance is now available for the 65-plus group. But one fact stands out:

Where the cost of private insurance is within reason, the benefits are meager; where the benefits are adequate, the cost is out of reach.

This is bound to be true of a plan under which the aged are insuring themselves. To be workable, any insurance plan must be broad enough to include good risks as well as bad risks—the young as well as the old. Private insurance can supplement a federal program; it cannot replace it.

Ask for public assistance, says the doctors' lobby.

Public assistance is the free care available

to the poverty-stricken through state and federal funds. It is necessary, it is worthy and it should be improved. Many doctors, to their credit, donate heavily of their services to this work.

But public assistance is public relief. Those who get it must prove their poverty—often to the point of taking a pauper's oath. They must exhaust their savings and in many states sell their modest possessions—their cars, their TV sets, even their homes—to become eligible.

Get the children and grandchildren to pay the bills, say the reactionaries.

Unquestionably there are millions of emergencies solved in this way. But a medical catastrophe to the parents is in most cases beyond the means of willing children. At best, such help is a sorry reward for pensioners who have earned their independence.

Clearly, none of these alternatives is acceptable in a free society of free independent citizens.

But It Could Be Like This

The Forand bill does not pretend to solve the whole problem of medical care for the aged. It does guard against total disaster.

The bill would:

• Pay in full for 60 days of hospital care for all persons eligible for old-age and survivors benefits. (Note that this would include the dependent children of widows.)

 Meet the costs of combined nursinghome and hospital care up to 120 days a year and cover certain surgical expenses.

Social security records would be used to establish the rights of applicants. The bill

includes standard safeguards as to the quality of care, negotiation of rates and the freedom of cooperating institutions from government interference.

The program would cost about \$1 billion a year at the start. This would be met by a rise of only a quarter of one percent in social security taxes on employers and employees, and % percent on the self-employed. The most any worker would pay (if he makes \$4,800 or more) would be \$12 a year.

The Forand bill puts this program where it belongs—in the social security system.

Eleven million Americans now draw social security pensions. Only about a million of them are also covered by private pension plans.

The seldom-reached maximum federal benefit for a retired couple is \$180 a month; the average is about \$114.

These figures leave no margin for heavy medical expenses, which have risen farther and faster than any other item in our economy.

While it is true that many of the retired have some form of health insurance, a federal study (1957) exposes its inadequacy. In that year, of all pensioners who had medical expenses, only 14 percent of the couples and 9 percent of the single persons drew any insurance benefits whatever.

Most of the others were faced with the loss of independence, or even pauperism.

Your Letter May Decide

- Whether retired workers, now or later, must seek public relief or become burdens to their children when severe illness strikes.
- Whether those who have earned the right to independent retirement will lose that right because of illness.
- Whether you, in your turn, can look forward to retirement without fear of illness.

The Forand bill (HR 4700) has been analyzed, examined and discussed over a period of several years.

Will Congress vote it into law?

The answer to that question is in your hands.

Your letters, to your Congressman and your two Senators, will decide the issue.

If YOU tell them that YOU want the Forand bill, it will pass.

Write—and Write Today!

American Federation of Labor and Congress of Industrial Organizations 815 16th Street, N.W., Washington 6, D. C.

George Meany President Wm. F. Schnitzler Sec'y-Treas.



FACT SHEET ON HOUSING LEGISLATION AUGUST, 1960

HOUSING ACT OF 1960: H.R. 12603

Before the July Congressional recess, the House Banking and Currency Committee reported a moderate comprehensive housing bill, H.R. 12603, known as the Housing Act of 1960, authored by Albert Rains, (D., Ala.), Chairman of the Housing Subcommittee.

When H.R. 12603 reached the House Rules Committee, a reactionary coalition of Democrats and Republicans forced a 6 to 6 tie vote of the Rules Committee just before the July recess.

Prior to this, the Senate had passed a similar comprehensive housing bill, S. 3670, which has been sent over to the House.

The Housing Act of 1960, H.R. 12603, must be brought to the floor of the House and passed.

Unless the members of the House of Representatives have the opportunity to vote on the housing bill before final adjournment of the current session of Congress, there will be no housing legislation this year.

Failure to enact a good housing bill this year, would mean that:

- Urgently needed housing construction, badly lagging behind even the poor record of last year, will continue far below the national need, adding to the nation's housing deficit;
- Further progress on sorely needed slum clearance and urban redevelopment will grind to a halt within a matter of months;
- The mortgage insurance authorization of the Federal Housing Administration for new homes, old homes and for repair and alteration of homes will expire before the end of the year.
- College housing construction, for which funds have already run out, can no longer be resumed.
- Residential construction, already more than 15 percent below last year's level, will decline even further in the coming months. This will deprive hundreds of thousands of families of the homes they need. It will weaken the whole economy by insufficient housing activity, threatening to precipitate another economic recession.

MAJOR PROVISIONS OF H.R. 12603

Urban Renewal. — Authorizes \$450 million for slum clearance and urban renewal. Even this amount is far less than cities have indicated they need to meet their minimum requirements for elimination of slum blight and for city rebuilding.

Housing for Displaced Families. — Authorizes a new program to permit nonprofit sponsors to obtain 45-year, 4% loans to build rental units for families displaced by urban renewal or other public projects. This constitutes a pioneer effort to make housing available on reasonable terms to families displaced from their homes through no fault of their own whose incomes are too high for admission to low-rent public housing but inadequate to afford decent housing in the existing private market.

Housing for the Elderly. — Authorizes \$50 million for low-interest, long-term loans for housing for the elderly.

Cooperative Housing. — Provides for specially needed financial assistance for Section 213 Cooperative Housing by FNMA (Federal National Mortgage Association) and contains other provisions to make cooperative housing more effective.

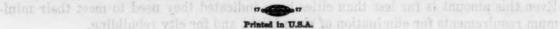
FHA. — Restores FHA's depleted authority to insure home mortgages and home repair loans and makes a number of changes to improve the FHA sales and rental housing programs.

College Housing. — Provides \$500 million additional for the successful college housing program now completely out of funds.

Public Housing. — While H.R. 12603 contains no provisions for public housing, the bill passed by the Senate, S. 3670, authorizes an additional 25,000 public housing units. This authorization cannot take effect unless the House passes H.R. 12603 after which the House and Senate Conferees should agree to retain the Senate's public housing authorization.

H.R. 12603 IS A MODERATE BILL

H.R. 12603 as reported by the House Banking and Currency Committee is a moderate bill. It by no means contains all of the provisions which would be needed and which have been recommended by the AFL-CIO to assure a fully adequate housing program. It does, however, constitute the absolute minimum to assure a reasonable level of housing activity to permit further progress in urban renewal, college housing and other essential programs. Without enactment of a decent housing bill this year, we can anticipate a drastic cutback in the already reduced housing construction rate. The House of Representatives must have the opportunity to pass H.R. 12603 without further delay.



RAISE AND EXTEND MINIMUM WAGE

A top-priority legislative need is amendment of the Fair Labor Standards Act (Minimum Wage and Hour Law) (1) to extend its coverage to millions of workers now unprotected and (2) to increase the minimum wage to \$1.25 an hour.

Substantial extension of coverage and increase in the minimum is needed (1) for obvious humanitarian and social reasons, (2) for the benefits the economy would gain from increased buying power for low-income families and (3) for providing protection to socially responsible employers against unscrupulous wage chisellers.

Present Status

The basic bill endorsed by the AFL-CIO is the Kennedy-Morse-Roosevelt Bill (S. 1046 and H.R. 4488). It would extend coverage of the law to over 7½ million workers and would raise the minimum to \$1.25.

In the Senate, hearings have been completed. A subcommittee has recommended an amended version of this bill to the full Senate Committee on Labor and Public Welfare, which is now due to complete action on a measure to go to the Senate floor.

In the House, however, the Labor Committee has not yet scheduled hearings.

Extension of Coverage

Who is now uncovered? Of some 45 million workers who could and should be protected by the Fair Labor Standards Act, almost half, over 20 million, are totally excluded from its protection.

The Kennedy-Morse-Roosevelt Bill would extend protection to over 7½ million of those unprotected workers, essentially those in the larger firms and those now excluded by special exemptions.

Of the $7\frac{1}{2}$ million to be covered, about 60% are in retail trade, some 25% in large hotels, large laundries and other services, wholesale trade and construction. The rest are in such varied industries as logging, local transit, taxicab and telephone.

The retail enterprises to which the bill would extend coverage are those which do annual business of \$500,000 or more. Smaller retail firms and so-called "mom-and-pop" shops would not be affected.

The table at the end of this fact sheet lists by industry the estimated number of workers to whom the Kennedy-Morse-Roosevelt Bill would extend coverage of the Act.

Separate bills have been introduced by Senators McNamara and Clark (S. 1085) and Representative Roosevelt (H.R. 4947 and H.R. 4948) to extend coverage to over a million agricultural workers employed in large farms.

Why coverage should be extended? Denial of legal protection has meant that many uncovered workers are paid pitifully low wages or are required to work excessive hours without overtime pay. With few exceptions, they are unorganized and so cannot improve their status through collective bargaining efforts. Their wages and hours standards have lagged far behind those of the economy as a whole.

Of the over 7½ million workers to whom the Kennedy-Morse-Roosevelt Bill would extend coverage, about 3 million are still paid less than \$1.25 an hour. (See table at end of this fact sheet.)

The major excuse for failure to protect these uncovered workers is that (a) they are in small



local operations to which the federal law should not be applied and (b) they are supposed to be protected by state minimum wage laws.

Actually, however, (a) many of them are not in tiny enterprises but in large retail, service and other corporations which can well meet the national minimum wage and hours standards and (b) the states have with few exceptions been unable or unwilling to provide adequate minimum wage protection for workers not covered by the Federal law (indeed, half the states have no minimum wage requirements whatever).

Increase in Minium Wage to \$1.25

Current minimum outdated. The existing minimum of \$1 an hour, too low even when it was enacted 5 years ago, needs to be updated to keep in step with increases in wages received by most of the country's workers, with rises in the cost of living and with advances in the nation's productivity.

If Congress does nothing more than merely adjust the \$1 minimum to take account of cost-of-living rises and national productivity trends since the \$1 minimum was voted, it has to raise the minimum to more than \$1.25.

Current minimum inadequate. The objective of the minimum wage law is to enable a "standard of living necessary for the health, efficiency and general well-being of workers." The present \$1 minimum is far short of this standard.

Even if a worker has a full year's work, the \$1 minimum means only about \$2000. This is less than estimated as necessary for a minimum living standard for even a single self-supporting woman with no dependents. It is less than half the amount (\$2.25 an hour) which the Labor Department's City Workers Family Budget indicates is necessary for a "modest but adequate" standard of living for a family of four.

Even the \$1.25 minimum wage would provide a worker fully employed the year round with barely \$2500 a year. It is clear that anything less will not even begin to provide adequate food and shelter for a family by American standards and certainly falls far short of enabling a decent standard of living.

Opposition to Needed Improvement.

Opponents of extension of coverage and increasing of the minimum argue that improvement of the Act would (1) have inflationary effects, (2) would push up wages which are already over \$1.25, or (3) might curtail employment. These arguments have little merit:

(1) Past increases in the minimum have not been inflationary. When the minimum wage was last raised, by 25¢ (from 75¢ to \$1), the Labor Department reported that neither the consumer price level nor the wholesale price level rose as a result.

In any event, even if every cent of wage increase required by a \$1.25 minimum were to be passed on in higher prices, instead of being largely absorbed without price increases as in the past, then the total increase in the nation's price levels still would be a rather negligible ½ of 1 percent.

- (2) Wages above the minimum are not in fact pushed up appreciably by a new minimum. When the \$1 minimum was made effective in March 1956, (an increase of 25¢ over the previous 75¢ minimum), average hourly pay in all manufacturing rose only 2¢ (from \$1.93 in February 1956 to \$1.95 in March), and most of this increase was due to normal wage movements unrelated to the increase in the legal minimum.
- (3) Any adverse employment effects would be negligible. Surveys of past adjustments show that any shrinkage of employment in marginal industries is offset by increases in employment generated elsewhere by the increased buying power of those who benefit from a higher minimum.

Estimated Number of Workers to Whom Kennedy-Roosevelt Bill Would Extend Coverage of Fair Labor Standards Act

Type of Employment	Number Now Not Covered by FLSA (thousands)	Number To E Total (thousands)	Number earning less than \$1.25 (thousands)		
Retail trade	6,820	4,150	1,920		
Outside salesmen	1,579		_		
Wholesale trade	192	182	90		
"Local retailing" (Mfg. & wholesale)	10	10	5		
Laundries & dry cleaning	503	170	100		
Hotels	461	241	170		
Domestic service	2,337		_		
Business services	173	140	40		
Finance, insurance and real estate	275	140	30		
Miscellaneous services 1	1,890	725	500		
Agriculture	1,937	_			
Farm products processing	191	_	-		
Construction	1,561	1,331	130		
Other groups:					
Fisheries	15	_	_		
Seafood processing	32	32	15		
Newspapers	17	17	10		
Transit	102	102	10		
Small telephone exchanges	47	43	25		
Taxis	128	58	25		
Seamen	100	100	10		
Logging	86	86	70		
Manufacturing & mining	74	40	20		
Transportation & warehousing	95	77	10		
All other *	1,000	186	70		
Total	19,625	7,830	3,250		

¹ Includes repair services, amusements and recreation, medical and health services, personal services.

Source: Based on data of U. S. Department of Labor, Wage and Hour Division.

² Includes legal, professional, educational, religious and charitable and nonprofit organizations and trade associations and labor unions.

AID TO DEPRESSED AREAS

Last year, for the third time, the Senate passed a comprehensive Area Redevelopment Act with the bipartisan sponsorship of Senators Douglas, Clark, Cooper and Beall. In the House, a substantially similar bill introduced by Congressman Spence was reported favorably by the Committee on Banking and Currency. Unfortunately, when the session adjourned the bill was still stalled in the graveyard of liberal legislation, the House Rules Committee.

I. The Need

According to the latest count of the U.S. Department of Labor, a substantial labor surplus (unemployment in excess of 6%) exists in 32 of the 149 major labor market areas throughout the country, and in 112 smaller ones. Two years earlier, only 24 major areas and 72 smaller ones reported a substantial labor surplus. The problem of prolonged area unemployment is clearly becoming more severe.

When, in both good times as well as bad, a critical unemployment problem plagues an area year in and year out, it is called a chronically distressed area. Even with current "good times" the unemployment rate in these areas is 8.8%, almost twice the level elsewhere, according to studies of the Area Employment Expansion Committee, an independent group. Unfortunately, the cancerous blight of chronic unemployment is spreading. We must work towards the passage of the Area Redevelopment Act to turn the tide.

IL Chronic Area Distress Has Many Causes

Technological changes, shifting product demands, and changing competitive factors—as well as raw material exhaustion—continuously cause plant shutdowns or drastic production cutbacks in communities across the country.

The problem of the older textile, coal mining and railroad centers is well known. Yet, the same kind of tragic problem exists elsewhere, and it recurs whenever a business or government enterprise on which a whole community depends for its livelihood shuts down.

Whatever the specific cause may be, generally it can't be solved by a local effort alone; nor can hundreds of thousands of people simply be told to pack up and move on.

The entire nation has a stake in helping these fellow citizens restore their depressed communities to a state of health once again. We just can't afford to let the cancerous growth of local blight continue to fester and spread.

III. What the Area Redevelopment Act Would Do

In response to the growing need for a comprehensive program of federal aid, the Area Redevelopment Act as passed by the Senate would:

- 1. Send technical specialists to the affected areas to help them evaluate their economic resources and needs and plan constructively for the future.
- 2. Provide \$200 million for low interest federal redevelopment loans to aid the construction of modern plants in chronically distressed areas.



- 8. Provide \$175 million for federal grants and loans for the construction of public facilities needed to attract and to hold industry—like an improved water or sewerage system.
- 4. Establish a program of vocational retraining for jobless workers and provide federal subsistence payments during the process of retraining.
 - 5. Give assistance to rural areas suffering from chronic under-employment.
- 6. Locate the administration of this program in a special federal agency to be established solely for this purpose. Labor would enjoy an advisory status to it and the participation of trade unions in the program at the local level would be encouraged as well.
- 7. Finally, all aid would be denied to "runaway" employers who might seek to locate in a depressed area while at the same time creating unemployment elsewhere.
- (S. 722 as amended and favorably reported by the House Banking and Currency Committee maintains all the major features of the Senate enacted Bill but it would pare down the total amounts authorized by about \$140 million.)

IV. What We Must Do

Only the Douglas-Spence Area Redevelopment Act is sufficiently comprehensive to assure a full scale attack on the problem of area blight. A puny bill which the Administration is trying to substitute offers too little to begin to do the job.

Now is the time to act.

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First, request the House Rules Committee to clear the bill for action.

Then, request your Congressman to vote for it (S. 722).

Finally, urge the President to sign it.

GUARANTEE CIVIL RIGHTS

I. WHY THE NEED?

The historic Supreme Court decision on school desegregation has passed its fifth birthday. As of last year, only 400,000 Negro children of nearly 3 million in 17 Southern and border states and the District of Columbia are in districts where some desegregation has been at least started. Almost three quarters of this total are in Missouri, Maryland and the District of Columbia. Nearly 10 million Negro and white children are in school districts that have made no beginning towards desegregation. The failure of the Congress and the Executive Branch to act in an effective manner has in addition brought the "shame of Little Rock" and also the closing of schools and loss of school days for many of our nation's youths in other areas.

Willful defiance of the law of the land has led to serious disrespect of law and order and even serious breakdown, as evidenced by hate bombings and other violence.

Progress that has been made has almost solely been due to the tenacious adherence of the Federal Judiciary to the constitutional concept of equal justice and equal opportunity for all Americans. The whole burden of this court fight has been carried by private citizens and organizations. Increasingly there have been legal pressures to forestall and prevent adequate representation in the courts. With a full array of state power ranged against individuals and organizations who seek to assert their constitutional rights, the contest is an uneven one. Nearly five years after the Court decision, progress towards compliance with the Constitution is so slow as to turn hope to despair.

The Civil Rights Act of 1957, although it was a victory, being the first Congressional action in over 80 years, has been—as predicted—hopelessly inadequate. Its principal weakness was the elimination from the original bill of Title III which would have given the Justice Department the clear right to seek civil injunctions to compel adherence to court orders in segregation cases. In the meantime, the hope that this law would achieve substantial progress in limiting discrimination in voting rights has not been realized. The President's Commission on Civil Rights has found widespread violation of basic voting rights and has recommended new legislative measures as being necessary to secure such rights.

Failure to guarantee basic democratic rights is injurious to the nation's education standards and general welfare. As President Meany said recently: "It is no mere coincidence that the last anti-Negro stronghold in America is likewise the last anti-union stronghold.... Thus, labor and the Negroes not only have common cause—we have common enemies as well. Those enemies are aligned against human progress.... They are working, perhaps without realizing it, to weaken and stultify their country. Their program is for all practical purposes un-American."

II. WHAT LEGISLATION IS NEEDED?

- 1. Clearly stated Congressional support for school desegregation decisions.
- 2. Authority for the Attorney General to institute law suits to obtain compliance (similar to Part III deleted from 1957 Act).
- Technical and financial assistance for school facilities and operations to facilitate desegregation and where states withhold funds.
- 4. Federal legislation aimed at preventing hate bombings and other violence, and at apprehending those guilty for such actions.



Enactment of the President's Civil Rights Commission's proposal that federally designated
officials act as registrars in districts where persons are improperly denied registration by local
officials.

In addition to these priorities in the fields of school desegregation and voting, we must continue our concern over other civil rights problems, including a federal Fair Employment Practices Act and legislation to prohibit racial discrimination in housing.

III. WHAT IS THE LEGISLATIVE SITUATION?

During the first session of the 86th Congress, efforts to pass substantive civil rights legislation failed. Control by Southern members prevented action in the House Rules Committee and by the Senate Judiciary Committee. The Dixiecrat-Republican coalition referred to above was responsible for preventing any significant change in Senate Rule 22, the filibuster rule, and for reporting out of totally inadequate bills from the Senate Constitutional Rights subcommittee and the House Judiciary Committee.

In 1960, however, action on the floors of Congress may be confidently expected. H.R. 8601, the weakened House bill reported by the Judiciary Committee, is now awaiting action by the House Rules Committee. Supporters of civil rights are not depending upon such action, however. The Chairman of the Judiciary Committee, Rep. Emanuel Celler, has initiated a discharge petition which would bring the bill to the floor when 219 signatures are obtained. On the Senate side, the last session ended with commitments made by both Majority Leader Johnson and Minority Leader Dirksen that a civil rights bill would be brought to the floor by February 15, through one route or another.

ACTION NEEDED:

- Urge your Representative, if he has not already done so, to sign the Celler discharge petition.
 This will assure early action.
- 2. Urge your Senator to do whatever he can to see that the Senate stands by its February 15 agreement to act on civil rights.
- 3. Urge both your Representative and your Senators to insist upon amendments to the pending bills which would mean meaningful action—including restoration of Part III, provisions for Federal voting registrars, and technical and financial assistance to schools seeking to abide by the Supreme Court decision.

HEALTH BENEFITS FOR THE AGED (and other improvements in social security)

I. Adding health benefits to old-age survivors insurance through the Forand Bill, (H. R. 4700).

The Ways and Means Committee held hearings on this bill last July. The next step is favorable Committee action, and then action by the Rules Committee. Action by the House itself is urgent as early as possible, so that the Senate too can act before the expected early adjournment of Congress this year.

Why such health benefits are needed

- * Most aged persons have low incomes. The average old-age benefit is only \$73 a month in spite of the improvements labor has helped obtain.
- * Rising medical costs are a growing threat to the aged, most of whom have little or no health insurance protection. Commercial insurance is unavailable or too expensive for most of them, and Blue Cross-Blue Shield plans are raising rates.
- * Continuing unemployment intensifies the need for action since many older people have lost jobs, private pension rights, and support from relatives.
- * Public assistance is overtaxed by growing loads. Its medical allowances are pathetically small, and in too many cases overharsh requirements limit its usefulness.
- * Health benefits for the aged and survivors would directly help 15 million Americans, relieve hospitals and assistance agencies, and enable unions through pre-payment and insurance plans to increase other protection for persons still at work.

What the Forand Bill would do

- Pay in full for 60 days of hospital care for all persons eligible for old-age and survivors insurance benefits.
- * Pay also on their behalf for skilled nursing home care following hospitalization and for surgical services.
- * Pay the cost of these services from the old-age and survivors trust fund to which the people who benefit have contributed.
- Permit hospitals to follow patterns now being used under government and private plans in calculating reasonable costs that will be paid for.
- * Permit the Secretary of Health, Education and Welfare to use voluntary organizations to help administer the program.
- * Not permit any administering agency to interfere with hospital administration or the private practice of medicine.

II. Other needed changes in old-age, survivors and disability insurance

Additional amendments should-

- Increase benefit amounts and pay widows more than 75% of the husband's benefit.
- Make disability benefits available before age 50.
- Authorize the drop-out of additional years of low earnings in calculating benefit amounts.

- * Raise the wage base now \$4800 in line with rising wage levels, both as a means of raising benefits for higher paid workers and as a means of financing other benefit improvement.
- * Permit women to receive regular benefits at age 60.
- * Increase contributions if necessary to meet added costs so that the trust funds will continue on a sound basis.

The AFL-CIO has not supported abolishing the retirement test (now \$1200) or reducing the age for men to 60. Our Convention Resolution states:

"We reaffirm our previous position that men under age 65 who cannot work or cannot find steady employment should be protected through more liberal provisions in regard to disability insurance and through extended unemployment benefits. Such measures are sounder than reduction of the retirement age for all men to 60, which would be a great expense to the trust fund.

"We urge persons who are supporting repeal of the retirement test, instead to join us in seeking amendments that will add health benefits and raise monthly amounts for the great majority of the aged who are unable to earn more than the \$1200 a year now permitted."

III. More liberal matching grants for public assistance

Our Convention endorsed substantial improvements along the lines of the Forand comprehensive public assistance bill, H. R. 6422. It would permit each state to choose a new and more generous system of federal grants for public assistance to aid all types of needy persons, without residence requirements.

IMPROVED UNEMPLOYMENT INSURANCE

Why Do We Need Federal Action?

State laws have been eroded by inflation and riddled with restrictions. Competition between states for industry makes them reluctant to raise benefits. More attention is concentrated on keeping the employer's tax contribution low than on benefit adequacy.

Weekly benefits today insure a much smaller portion of lost wages than they did in 1939.

As a percentage of payroll, unemployment compensation taxes are one-third what they were twenty years ago.

The longer duration of unemployment due to technological change and more severe recessions finds the duration of benefits completely inadequate.

These weaknesses help explain why one-fifth of the families affected by unemployment in 1958 lost over \$2,000 income each.

They also explain why federal benefit standards are needed, both for the worker, and for his grocer, landlord, and the entire community that depends on his spending.

The Federal Unemployment Compensation Standards Bill:

To meet these problems, this bill was introduced early last year by Congressmen Karsten, Machrowicz and 130 others in the House, (H.R. 3547) and by Senators Kennedy, Case, McCarthy and 30 others in the Senate, (S. 791). This is what it does:

- 1. Higher Benefits—A weekly benefit of at least half the individual's wages, subject to a state-wide maximum benefit of % of the state's average weekly wage.
- 2. 39 Weeks Duration for those unemployed who are eligible and qualified, who are able and available for work but cannot obtain suitable employment.
- 3. Limited Eligibility Restrictions. Some states have severe restrictions on who is qualified. This bill would place limits on those restrictions. Furthermore, state benefits could not be denied or reduced for those receiving negotiated supplementary unemployment benefits.
- 4. More Coverage. All employees in small companies would be covered. This would add an additional 2 million workers now excluded.
- 5. Better Financing. A state would be able to choose either experience rating (now the only choice allowed) or uniform tax rate reductions for all employers. This would open the door to better ways of financing Unemployment Compensation.
- 6. Reinsurance Grants to those states which are in financial difficulty because of high rates of unemployment. This would relieve fear of insolvency which has kept benefits down.

How Much Would It Cost?

The total long run cost of these benefits would still be only one-half of the original and intended cost of Unemployment Compensation. The average employer tax would rise only 7/10ths of one cent per employee-hour worked.



This would require no appropriations by Congress. It would be financed, as at present, within the federal-state unemployment compensation payroll tax.

Is This An Encroachment of Federal Power Over the States?

No. The basic unemployment compensation law is a federal one. The tax is a federal tax. There are already 36 standards in the federal law with which a state law must comply in order to get the funds from the federal government.

This bill would add three benefit and eligibility standards, and amend an existing financial standard. There would be no change in the basic federal-state relationship. The states would continue to administer their own programs.

What Are Its Prospects?

Unemployment compensation is a revenue measure and must be enacted first in the House of Representatives.

It has been bottled up in the House Ways and Means Committee all during 1959. The closest vote in the Committee was 13 to 12 on April 22. This vote was on a proposal by Congressman Wilbur Mills, the Committee Chairman, to require that state maximum benefit amounts be set at 60% of average weekly wages in each state.

Action Needed:

- 1. Urge your Representative to call upon the Ways and Means Committee for immediate action on a Federal Standards bill, and to support such a measure when it reaches the floor.
- 2. Urge your Senators to support such a bill when it comes to the Senate. Ask them to urge swift Finance Committee consideration.

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SUPPORT AMERICA'S SCHOOLS

What the Problem Is.

Education in this country has been in trouble since the end of World War II. It was in trouble long before the Russians launched Sputnik and for a brief moment woke us out of our comfortable doze. The root of the problem is twofold:

- 1. The bursting school population. Public school enrollment increased 49% from 1946 to 1959, growing at twice the rate of the total population. This growth rate will continue.
- 2. Rapid scientific advance and technological change. Simultaneously with these demands for a larger quantity of education have come demands for a higher quality of education. The age of automation was upon us before guided missiles of the Russians provided the gimmick that some people needed to make them recognize the problem.

The combination of these two factors means that a major effort needs to be made at all levels of government to meet these demands upon our educational system.

The signs of failure.

The failure to confront the consequences of these basic problems has resulted in a deterioration of our educational plant and in a decline of educational opportunity at a time when it is most needed. This failure is most obvious in these two areas:

Classroom shortages. On December 24, 1959, Arthur Flemming, Secretary of the Department of Health, Education, and Welfare, stated in the press that the U.S. "is not moving fast enough to reduce the classroom shortage." He pointed out that the reduction of the classroom shortage to 132,400 classrooms as against 141,900 a year ago was due mainly to a bookkeeping change by state school officials.

Another ominous sign was that school construction declined for the second straight year, down 10% over 1958. Behind these figures of shortages are crowded, unsafe, and unsanitary schoolrooms. Many schools are run on split-shifts. And behind overcrowding is the inevitable result of poor quality.

Teacher salaries. Both starting wages and average wages for teachers throughout the country are substantially lower than those for other fields requiring college training. Average wages for all teachers, including those who have worked for many years, is only \$4800 per year. No wonder it is difficult to keep good teachers.

The consequences of these miserable rewards for an exacting occupation are painfully apparent. Many of the best-qualified teachers leave for better-paying jobs, and others of high qualifications never enter the profession.

How is education to be financed?

Traditionally, American public education has been financed by state and local taxation. Last year it was estimated that the average proportions of public educational expenditures were these:

From	local taxation					55%
From	state taxation					41%
From	federal taxes					4%

100%



A research report recently stated that our national expenditures for education will have to be doubled in the next ten years—from \$15 billion a year to \$30 billion. This can only be possible if the federal government's share of educational expenditures is greatly increased.

The case for federal support.

There are ample precedents of federal support for education, without in any case resulting in federal control of curriculum, teaching, or administration. These examples are:

- —The Morrill Acts of 1862 and 1890 setting aside land for the use of land-grant colleges and universities.
 - -The vocational education program.
 - -The GI Bill of Rights.
- —The use of federal funds in "federally-impacted" areas where federal installations have put a heavy burden on community school facilities.
- —The National Defense Education Act of 1958 which authorized loans to students, fellowships, grants for school equipment, and college construction grants.

What does the Administration propose?

The Administration proposes to meet this problem by helping local communities to pay debt service (principal and interest) over a period of from 20 to 30 years. The money is to be paid back by the community unless by a means test it is shown that the community can not repay. Sen. Murray of Montana described this as a "bankers' bill" rather than a bill for school construction.

Nothing was offered on any other aspect of education.

In the area of vocational education, the President in his Budget Message of 1959 proposed to eliminate the federal government's contribution to vocational education by fiscal 1961.

What does AFL-CIO support?

The Murray-Metcalf Bill (HR 22 and S 2) gets at the heart of two problems—school construction and teachers' salaries. It authorizes \$25 for each school-age child to each state for a period of four years, the money to be used by each state for either school construction or teacher salaries. This would cost about \$1.1 billion each year.

This bill passed the House Education and Labor Committee but did not get out of the House Rules Committee.

THIS BILL IS THE NO. 1 EDUCATION BILL AS FAR AS AFL-CIO IS CONCERNED!

On the Senate side, the Education Subcommittee voted out a bill by Senator McNamara authorizing \$1 billion in grants for school construction only over a two-year period.

DECENT HOMES FOR ALL

Housing Needs

15 million American families—about one-fourth of the total number—are still ill-housed. 13 million of them live in dwellings that do not meet minimum requirements for family living. The other 2 million live in dwellings in livable physical condition but located in such rundown neighborhoods that they make poor homes for growing children.

35 million new housing units must be built in the next 15 years—at least 21/4 million a year—to provide a decent home for every American family by 1975. This means expanding the current housing construction rate by about 900,000 units a year.

Increased housing activity would improve the living conditions of millions of families deprived of the opportunity to obtain decent homes. It would also make an important contribution to the nation's overall economic prosperity. It amment at galantsia multiogoviers not interregardious evides had

If we build 900,000 more houses each year, this would create 1.8 million more jobs for workers, about half in actual construction and an equal number in factories producing materials and equipment needed for housing. This 1.8 million equals about half of the current unemployment.

Moreover, experience has demonstrated that residential construction trends help determine overall economic activity. Thus, in both of the most recent economic recessions, 1953-54 and 1957-58, a decline in housing activity preceded and helped to generate a general economic cutback. Continued economic prosperity may well depend on immediate efforts to reverse the decline in housing activity in recent months and to prevent the even further reduced level generally expected in 1960.

Most Urgent Housing Needs Neglected

Housing bills have been enacted in each session of Congress in recent years but they have failed to deal effectively with the most urgent housing needs. The Administration, which ought to have provided leadership in developing policies to make housing available to the families with the greatest need has strongly opposed every Congressional suggestion for improving the housing conditions of the most poorly-housed families.

As a result, virtually no new housing has been made available within the means of millions of low-income and minority families (a large proportion of which are, of course, low-income) plagued by the worst housing conditions. The needs of moderate-income families for suitable homes within their means have also been largely ignored.

Unfortunately, the Congress has been unwilling or unable to fill the gap in housing policies left by the Administration by enacting housing legislation aimed at meeting the nation's total housing requirements. While some desirable housing legislation has been passed for the most part, housing legislation and housing programs have failed to come to grips with the really fundamental housing

AFL-CIO Program

The AFL-CIO urges the Congress to enact forward-looking, comprehensive housing legislation aimed at assuring construction of at least 21/4 million homes a year. The major features of such legislation should include:

- 1. A large-scale low-rent public housing program to provide decent homes for low-income families. A minimum of 200,000 low-rent public housing units should be authorized for construction each year as an essential part of the overall housing program.
- 2. An effective program to make good homes available to middle-income families within their means. Low-interest, long-term loans should be made available to provide homes at reasonable charges and rents to hundreds of thousands of moderate-income families who are priced out of to-day's housing market.
- 3. An effective program of housing to meet the special needs of elderly couples and individuals. This will require considerable expansion and vigorous administration of the limited program of housing for the elderly authorized in the Housing Act of 1959.
- 4. A federal policy to assure every family an equal opportunity to obtain decent housing without regard to race, color, creed or national origin. All housing built with the aid of federal funds or credit or any other form of financial assistance should be made available to minority families on an equal basis with all other families.
- 5. Authorization of at least \$1 billion a year in federal funds for the next 10 years to assure an expanded slum clearance and urban redevelopment program on a sufficient scale to permit every city to wipe out its slums and rebuild its rundown sections as quickly as possible.
- 6. Effective encouragement for metropolitan planning to assure that artificial and outmoded boundaries do not block housing and redevelopment progress and dynamic urban growth.
- 7. Additional measures including encouragement for cooperative and moderate-priced rental housing; farm housing, especially for migrant farm workers and their families; requirement of payment of the prevailing wage in any housing construction involving federal financial assistance; and protection of homeowners against foreclosure in the event of temporary unemployment, illness or other emergency.

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"A POSITIVE PROGRAM FOR AMERICA" AFL-CIO Legislative Conference January 11-13, 1960

ECONOMIC GROWTH

The pace of America's economic progress has been cut down dangerously since 1953. There have been two recessions, rising so-called "normal" unemployment and a shocking slow-down of economic growth in the past six years. This slow-down of national economic progress has been brought on by government policies—tight money, high interest rates and attempts to balance the federal budget at low levels of employment, sales and incomes.

Total national production of goods and services rose by an average yearly rate of merely $2\frac{1}{2}$ percent between 1953 and 1959, in contrast to an average annual rise of 4.6 percent in 1947-1953. The population, however, has continued to grow by about 1.8 percent a year. As a result, total national production per capita (per man, woman and child) has been cut down from a yearly rise of 2.8 percent in 1947-1953 to an annual pace of only seven-tenths of one percent in 1953-1959.

With total national production per capita rising at an average yearly rate of merely seven-tenths of one percent in the past six years, there has not been enough additional goods for significant improvements in national defense, public services and living conditions.

If America is to produce the extra margin of goods—for adequate defense and public services, as well as for better living conditions—the increase of total national production should be stepped up to an average yearly rate of 5 percent.

Continued Slow-Down Threatened

The slow-down of economic growth of the past six years has been achieved at great cost to America.

While total national production in the United States slowed down to a yearly rate of 2½ percent, the Soviet Union's total production expanded by 6 percent to 7 percent a year.

The slow-down of economic growth has resulted in rising unemployment. The number of jobless has risen from 3.1 percent of the labor force in 1951-1953 to 4.3 percent of the labor force in 1955-1957 and 5.5 percent of the labor force in 1959.

Although economic activities have picked up considerably from the low-point of the 1958 recession, government policies threaten to curb this upturn and to bringing on another recession in the next two to three years.

The Administration restored its tight-money policy as soon as economic activities began to improve in the Summer of 1958. Interest rates on loans have been raised to the highest levels in more than a generation. With the prime rate for the richest borrowers at 5 percent, most consumers, farmers, small businessmen and home-buyers are now paying 5½ percent, 6 percent and more on loans.

Tight money, high and rising interest rates have already curbed residential construction and threaten to reduce home-building still further. If these policies are continued, they will endanger other economic activities as well—particularly small business loans and consumer buying.

America needs an end to the government's misguided monetary policies. The federal government should halt its restrictive tight-money policy, and instead, encourage economic growth to provide full employment and maximum use of the nation's factories, machines and labor force.



A Five Percent Growth Rate is Needed

The goal of America's economic policy should be an average yearly increase of total national production of 5 percent a year—approximately twice the pace of the past six years. A 5 percent growth rate is necessary, not only to produce more goods to meet national needs. It is essential to restore and maintain full employment.

Output per manhour in the national economy has been rising at an average yearly rate of 3½ percent to 4 percent. Unless production and sales increase, as productivity rises, there will be layoffs and increasing unemployment.

In addition, the labor force grows each year, as more young people get out of school and enter the job market. In the next few years, according to the U.S. Department of Labor, the labor force will increase by more than one million persons—or about 1½ percent—a year. Unless production and sales increase to provide job opportunities for those who enter the labor market, unemployment will continue to rise.

Increasing output per manhour of $3\frac{1}{2}$ percent to 4 percent and labor force growth of about $1\frac{1}{2}$ percent mean that total national production must increase by 5 percent a year, in order to maintain full employment. Without a 5 percent pace of economic growth in the years ahead, America will face increasing troubles at home and abroad.

- Balanced economic growth of 5 percent a year and full employment should be established as the goal of national economic policy.
- A more rapid pace of economic growth requires a halt to the government's policy of tight money and high interest rates. The Federal Reserve Act should be amended to provide for adequate representation of consumer, small business and labor interests on the governing and advisory bodies of the Federal Reserve bank system, which is now dominated by the viewpoint of bankers and big business.
- The government's budget policy should be geared to a more rapid rate of economic growth, to produce budget balance and surpluses, as a result of raising government revenues from increasing production, sales and incomes.
- The federal government's tax structure is in need of substantial revision to provide a more equitable means of raising required government revenue. Top priority in such revision should be given to closing loopholes of special tax privileges for wealthy families and corporations and to reducing the tax burden on low- and middle-income families.
- A better and more continuing balance is needed between the economy's ability to produce and its ability to consume. That means continuing improvements in wages and salaries—to boost consumer buying power, which is the basis of mass markets. It means special efforts to lift the buying power of low-income families—through amendment of the federal minimum wage law, for example, to extend the law's coverage to millions of unprotected low-wage workers in retail and wholesale trade, services and large-scale farms and to raise the minimum wage to \$1.25 an hour.
- The national defense is in urgent need of a careful examination in terms of the military requirements for the defense of the United States and the free world. Defense expenditures should be raised, if necessary, to provide adequate national defense.

- With the increasing number of economically distressed communities and the spreading tendency of companies to shut down old plants and to build others in new areas, federal government assistance for economically distressed communities is essential.
- A comprehensive and national effort, with federal leadership and financial aid is required to begin to meet the needs of a growing urban population—in education, housing, health, urban redevelopment, community facilities, the conservation and development of natural resources.
- The unemployment insurance system should be permanently improved by additional federal standards to extend the duration and raise benefit payments to unemployed workers. The Social Security Act should be amended to provide increased benefits and medical care provisions for those who are eligible for old-age and survivors' benefits.
- The government must be prepared with anti-recession measures, to move promptly and decisively, should another recession occur.
- Economic and technical aid for the peoples of the less-developed countries, who are emerging from colonial domination, should be considered as a major aspect of national policy.
- Through collective bargaining, as well as the federal minimum wage and hour law, a progressive reduction of the standard work-week should be achieved in the years ahead, as the advance of technology reduces manpower requirements.
- A comprehensive national investigation and analysis of the price structure are needed, as a basic requirement for developing possible solutions to the problem of a slowly rising level of prices. Public attention should be focused on the pricing policies of the dominant corporations in major industries, whose prices are administered by the executives of the big corporations, rather than determined by effective price competition. Each part of the economy should be examined in detail, for the possible development of reduced profit margins. Low productivity industries should be studied, in cooperation with unions and employers, to seek means of improving productive efficiency.

"A POSITIVE PROGRAM FOR AMERICA" AFL-CIO Legislative Conference January 11-13, 1960

PROTECT LABOR STANDARDS

Both the Davis-Bacon and Walsh-Healey Acts need to be modernized to meet fully their basic purpose, which is to assure that government-financed work is given only to firms which meet prevailing labor compensation standards.

Davis-Bacon Act

The four major changes needed in the Act are:

- (1) Broadened coverage. The Act should cover (a) all nonfarm construction over \$25,000 in value where at least one-third involves some type of federal financing and (b) all nonfarm construction (other than housing developments of less than 10 units) which is financed with federal insurance or loan guarantees.
- (2) Recognition of current payment practices. Government contractors should be required to pay not merely the prevailing hourly wage rate but also prevailing payments to health and welfare, retirement, vacation and apprenticeship funds.
- (3) Observance of hours and overtime standards. Government contractors should similarly be required to meet prevailing standards on overtime rates for each craft, with a minimum general requirements of at least time and one-half for hours worked beyond 8 a day, 40 a week, over 5 consecutive days, and on Saturdays, Sundays and holidays.
- (4) Streamlined enforcement and appeals. The Secretary of Labor should have increased enforcement authority.

These amendments are necessary to prevent Federal money from being used on construction projects which would undermine prevailing wages, hours and working standards and to eliminate bidding advantage for unfair contractors competing on the basis of labor conditions below prevailing practice.

The basic bills which would accomplish these objectives are H.R. 4362, introduced by Rep. John Fogarty and the companion S. 1119 sponsored by Sen. Hubert H. Humphrey.

Walsh-Healey Act

Under the Act, the Secretary of Labor is supposed to determine the prevailing minimum wage in industries which have government contracts and contracts are then to be given only to companies whose minimums meet the standards prevailing in their industry.

But a combination of legal barriers in the Act and weak administration by the Secretary of Labor has prevented effective application. Specifically:

- (1) The procedure by which the Secretary determines the prevailing minimum has been unduly protracted and cumbersome (usually running 2 years or more).
- (2) The minimum requirements finally set have been unreasonably low and behind the times—and fail to take account of basic fringe benefits which have come to prevail in most industries.
- (3) Minimum wage determinations have been made for too few industries. And where they have been made, there has been utterly inadequate procedure for reasonable updating.

Needed Steps

To meet these serious shortcomings, Congressional action should:

- (1) Repeal the Fulbright Amendment to the Walsh-Healey Act, for this amendment has been responsible for much of the undue delay and legal entanglement in the minimum wage determination procedures.
- (2) Require that, to protect prevailing labor standards, government contractors must observe not only a minimum hourly wage requirement but also prevailing standards on basic fringe benefits as well.
- (3) Require that determinations of prevailing minimum labor standards under the Walsh-Healey Act be made at least every two years in every industry which does a significant amount of work for the government.
 - (4) Provide additional funds for the express purpose of effectively administering this Act.

"A POSITIVE PROGRAM FOR AMERICA"
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OVERHAUL TAX SYSTEM

American workers are now carrying a disproportionately heavy share of the Federal tax load. A combination of factors has produced this result: a low level of personal exemptions, a substantial rate of taxation in the first bracket of taxable income, the operation of the withholding system, and the many tax escape devices available to upper-income families.

Personal exemptions for individuals and dependents now stands at \$600, a figure that has not been altered since May 1948, although the cost of living has risen by over 20 percent since that time.

Workers find that their first dollars of taxable income are taxed at the rate of 20 percent. This represents a very steep first step in a progressive income tax and many impartial tax analysts have questioned the advisability of providing such a high rate for the lowest levels of taxable income.

The operation of the withholding system has meant that Uncle Sam is able to collect practically every single dollar of taxes coming to him out of wages. Because other sources of income are not subject to the same efficient tax collecting system, wage income has to carry a substantially higher portion of the tax load than other types of income.

Workers are also forced to pay income taxes on money which has been deducted from their pay envelope for their contributions in support of Social Security, Railroad Retirement, and Civil Service Retirement systems. Such deductions, which amount to a necessary expense of the workers' employment, add further to their tax burden.

While American workers find they are saddled with these positive tax burdens, the major trend in tax legislation since World War II has been to provide continual easement of the taxes paid by many other groups in the economy. A long series of tax escape provisions is now available to upper-income families. The net result is that most individuals and familes in the high-income brackets never have to pay the progressive tax rates set forth in the normal tax schedule. In fact, the effective rates on taxation in the upper-income brackets are frequently below 50 percent, instead of the 70-90 percent that would be expected by the tax table.

Among the more serious tax escape devices presently on the statute books are the following:

1. Preferential treatment for dividend income. In 1954 Congress provided two special benefits for dividend income; an exclusion of the first \$50 of dividends received (\$100 in the case of a married couple) and a tax credit of 4 percent of all dividends received.

The benefits of this provision flow almost entirely to upper-income taxpayers. For taxpayers with adjusted gross income under \$3,000 in 1956, only 3 percent claimed the dividend exclusion benefit, saving themselves an additional \$10 in taxes. Only 2 percent of this group claimed any credit for dividends received, with the average tax credit being \$17.

These percentages and the amount of tax saving increase sharply with rising income. In the \$50,000 to \$100,000 bracket, 87 percent of all returns claimed a dividend exclusion with an average tax saving of \$53. Credit for dividends received was claimed by 83 percent of the taxpayers in this bracket with an average tax saving of \$632.

2. Preferential treatment for capital gains income. Under today's tax laws the maximum tax rate on capital gains is 25 percent. This arbitrarily low rate works to the special advantage of higher-income families. For all taxpayers reporting under \$3,000 of adjusted gross income, only 2.4 percent reported any long-term capital gains. In the \$50,000 to \$100,000 bracket, over 60 percent of all returns reported long-term capital gains income, and at the highest levels of income, at \$1 million and over, 81 percent of the returns reported capital gains income.

3. Excessive depletion allowances. These allow owners of oil wells and other mining and extractive operations a special allowance up to 27½ percent of all revenues received.

The average worker is not the proud owner of any oil wells. He cannot avail himself of the very generous depletion allowance provisions of the tax law. Nor is he the owner of an establishment engaged in extraction of any type of mineral and metal, ranging alphabetically from asbestos to zircon, to say nothing of brick, sulphur, gravel and oyster shells—all of which are now covered, in one form or another, by similar if not quite as generous depletion allowances.

- 4. Special tax advantages for higher salaried executives. These include liberal expense accounts, deferred compensation plans and use of company facilities for personal use.
- 5. The special "get rich quick" system of granting stock options. Many prominent corporation executives have been able to show profits of well over \$1 million through the practice of granting stock options, the gains from which are never taxed as ordinary income, only as capital gains income.
- 6. The so-called "split-income" provision. This section of the tax law was enacted in 1948 which provides special benefits to married couples in the upper-income brackets. The benefits of this provision are open to all married couples but because no benefit is available for families whose incomes are below the level of \$5,000, most workers find they received little or no benefits from its provision but the major benefits go to families in the upper-income brackets.

American workers and American unions will be closely watching Congressional developments on the tax issue. They are more than willing to pay their full share of the tax burden. This is particularly true at the present time when revenue needed by the federal government will be rising to meet the cost of an adequate defense, as well as additional government programs in such fields as education, health, housing, etc.

American workers, however, are seriously concerned with the manner in which tax revenues are to be obtained. They insist that a tax system adhere to the basic principle that taxes be imposed according to ability to pay. It is time for America's tax program to return to this basic principle.

SUMMARY OF AFL-CIO PROGRAM

- 1. Provide tax relief for families of low and moderate income. Perhaps the simplest and most direct method of doing this would be to raise the level of personal exemptions. The \$600 figure which was inadequate even at the time of its adoption in 1948 should be raised substantially.
- 2. Close the many tax escape provisions in the present law which allow higher-income taxpayers to escape their equitable share of the tax burden. Up to \$9 to \$10 billion in additional revenue could be recaptured by making the necessary reforms.
- 3. Eliminate the requirement that workers pay income taxes on their contributions to government retirement funds. At the present time workers pay income taxes on income which they never receive, their contributions enforced by law, to the various government retirement programs through the Old Age and Survivors' Insurance, Civil Service Retirement, and Railroad Retirement programs. This inequity should be eliminated by excluding these contributions up to \$500 from income for income tax purposes and from "wages" for withholding purposes.
- 4. Congress and the Treasury should study ways and means of encouraging the adoption of more progressive tax laws by the states, including the possibility of providing a specific tax credit for income taxes paid to states under laws meeting certain minmum federal standards.
 - 5. Reduce or eliminate, as soon as practicable, the inequitable federal excise taxes.
- 6. Make the estate and gift taxes a more effective source of revenue. This can be done by eliminating life estate provisions and reducing the total level of exemptions.

"A POSITIVE PROGRAM FOR AMERICA" AFL-CIO Legislative Conference January 11-13, 1960

DEVELOP AMERICA'S RESOURCES

A. ATOMIC ENERGY

1. Atomic Power Program: For nearly five years, labor has proposed that in order to achieve the necessary technical and operational knowledge to move the nation's atomic power program rapidly toward the stage of producing power at costs competitive with electricity produced by coal, gas and oil, a full scale federal demonstration nuclear power program is the necessary first step.

Recent developments flowing from AEC Chairman McCone's recent Russian visit show that labor's argument has been sound and should be embodied in a new attempt to pass authorizing legislation along the line of the Gore-Holifield bills of past sessions which would enable the Commission to construct as AEC facilities large nuclear power demonstration projects from a few of the most promising reactor

The AFL-CIO will push for introduction and passage of such legislation. America must have a Federal nuclear power demonstration program with both immediate and longer range goals to provide the key to the use of a vast new resource by America's utilities in accordance with our expanding energy needs, and to restore our threatened leadership in providing technological assistance to other free world nations with pressing energy problems.

2. Health and Safety: The AFL-CIO is in strong opposition to Public Law 86-373, passed by the first session of the 86th Congress and signed by the President.

This new law amends the 1954 Atomic Energy Act with respect to Federal-State relations in the field of radiation health and safety. It enables the various states with plans approved by the Atomic Energy Commission to take over regulatory authority from the Federal government with respect to health and safety programs in the use of source, by product and special nuclear material. It also establishes a Federal Radiation Council which acts in an advisory capacity to the President on radiation matters.

Labor regards nationwide Federal uniform standards for safeguarding workers exposed to ionizing radiation as the only reliable methods of achieving safe expansion of the growing atomic industry with confidence of workers and the public without which such progress can be seriously delayed. Public Law 86-373 constitutes a serious threat to orderly, peaceful atomic development and Labor will work for drastic amendments to it. We will endeavor through legislation to restore Federal regulatory control over source, byproduct and special nuclear material, establish uniform, nationwide standards of occupational exposure to radiation, establish procedures by licensed users of fissionable material which will assure necessary protection to workers and give the Federal Radiation Council powers of decision to provide exposure standards for the country as a whole.

A part of sound protection, not only for workers engaged in jobs exposing them to radiation but for all workers, is adequate workmen's compensation. The AFL-CIO proposes to push legislation which will move in the direction of establishing nationwide Federal workmen's compensation standards covering workers in the field of ionizing radiation and those in other fields of employment

B. NATURAL RESOURCES DEVELOPMENT

1. Amendments to 1956 Water Pollution Control Act (H.R. 3610): The first session of the 86th Congress passed legislation increasing annual Federal grants in aid to communities in need of financial assistance to construct or modernize sewage disposal facilities to help solve the serious nationwide problem of water pollution.

The Eisenhower Administration has consistently opposed this bill which increases annual Federal grants from \$50 million to \$100 million in the House version and to \$80 million in the Senate amendments.

H.R. 3610 is in conference, having been held there last year in order to prevent a pocket veto by the President. The AFL-CIO endorses H.R. 3610 in the form passed by the House and urges that it be thus adopted by the conferees.

2. Protecting the Family Sized Farm on Federal Reclamation Projects: Federal reclamation law for half a century has contained in it anti-monopoly, anti-speculation provisions limiting individual ownership of land on Federal reclamation projects to a ceiling of 160 acres. Oil companies, corporation farmers and railroads have consistently sought to reverse this policy, their latest effort being made in the San Luis Unit of California's Central Valley project.

Under terms of the San Luis bill as originally introduced, 400,000 acres now held by a handful of big owners would be exempted from the 160 acres provision, opening the door to subsidies at Federal expense of over \$400 million and breaching the acreage limitation policy of the government.

The Senate removed this giveaway provision in passing its version of the San Luis Bill (S. 44), but the House Interior Committee reported out H.R. 7155, removing the protection of Federal reclamation law governing excess land ownership to nearly one half of the 900,000 acre project.

The AFL-CIO will fight to retain the Senate version of the San Luis bill as necessary to protect the public interest in preventing ownership of land on Federal reclamation projects from falling into the hands of a few large corporations.

3. Bonneville Corporation Act. (S. 1927): Similar to the recently enacted TVA self-financing legislation, S. 1927 would amend the Bonneville Act of 1937 to form a regional power and water development corporation responsible for building the major new river projects in the region for new wholesale power supply and storage of water. The corporation would be empowered to float revenue bonds for financing the program.

Labor endorses this legislation in principle with amendments to strengthen the anti-monopoly preference provisions and will support it even though S. 1927 as it now stands is not by any means the full, unified resources approach for the Columbia River that is true of TVA for the Tennessee.

4. Resources and Conservation Act. (S. 2549): Senator Murray and 29 other sponsors support this legislation on which hearings are expected early in the second session.

S. 2549 would set forth as a continuing policy and responsibility of the Federal Government to promote conditions to foster the conservation, development and utilization of America's natural resources for meeting present and future "human, economic and national defense requirements."

The policy of S. 2549 contains four principles in accord with labor's resources program:

- 1. Federal leadership and responsibility.
- 2. Genuine cooperation by the Federal Government with other governmental levels, labor, agriculture, business and groups with interests directly focused on resources conservation.
- 3. Accomplishing for future generations policies and programs in natural resources to meet human needs—economic, human recreational, aesthetic.
- 4. The far-reaching Federal concern with natural resources requires broader focus, better coordination, and less duplication, and jurisdictional conflict among Federal agencies.

PROTECT FAMILY FARMERS

Most of the six million Americans who work in agriculture—as farm operators and hired laborers -need help in their effort to secure a decent livelihood for themselves and their families. On the one hand, the net income of most farmers continues to fall even though agricultural output and productivity are at a record high. On the other, hired workers on the farms—and particularly migratory laborers—continue to be the most exploited group in America.

HELPING FARM OPERATORS

More than a quarter century ago, it became evident that government assistance is essential to help the farmer achieve a fair return for the products produced by his labor. The farm price support programs, enacted since the early 1930's, have helped raise farm income, but they have proven inadequate in several ways.

In the first place, they provide price support for only a limited number of agricultural commodities and aid only a minority of all farmers.

Second, they have the effect of holding prices high for consumers who at the same time must pay a high cost to maintain the program as taxpayers.

Third, billions of dollars worth of food and fiber are sent into storage although more of our abundance should be distributed to those who need it both at home and abroad.

Finally, the existing farm program has not prevented falling farm income. While almost all groups in our population have improved their well-being since the end of World War II, farm income has gone down. Between 1947 and 1958, net income per farm, including government payments, fell 7%. It fell 15% in 1959 over 1958. It is expected to fall further in 1960.

At the recent AFL-CIO Convention, we pledged support for stronger measures to aid those who work in agriculture, including a system of price suports based on wherever possible on production payments aimed at the support of the family farm and lower prices to consumers.

We also resolved that we must support a reasonable ceiling on the total amount of aid that any farm enterprise should receive from the Government. The bonanza paid to a handful of giant commercial farms under existing federal program is unjustified and is now being used to discredit all federal aid even for the family sized farms that need it to continue to survive.

In addition, we support programs which will bring more of our abundant agricultural resources to the aid of unemployed and other needy citizens, the expansion of our school lunch program, and more extensive use of our agricultural surpluses in the battle for peace and freedom overseas.

HELPING FARM LABORERS

Furthermore, we are pledged to help end the exploitation of wage-earners in agriculture,-a continuing scandal that is unjustifiable on economic, social and moral grounds.

In the first place, AFL-CIO supports legislation to end the outrageous exclusion of these workers from the protection of the National Labor Relations Act and from unemployment insurance and minimum wage coverage. Bills to provide minimum wages for workers in agriculture were introduced last year by Senator McNamara (S. 1085) and by Congressman Roosevelt (H.R. 4947 and H.R. 4948), but have not yet even been reported out by the respective committees to which they were referred.

The AFL-CIO also supports enactment of federal legislation regulating farm labor contractors who operate across state boundaries and frequently exploit agricultural laborers. We also demand that all foreign labor import programs—when genuinely required to meet agricultural needs—be conducted only under bilateral agreements between our government and the government of the foreign nation from which the workers come, as now in operation with Mexico. These agreements must provide specific regulations to safeguard the wage and work standards of both domestic farm workers and of foreign workers who are being brought into the United States.

Furthermore, we demand that Congress provide a federal appropriation sufficient to insure enforcement of these regulations until this nation is once again self-sufficient in meeting its agricultural manpower needs.

Finally, we are supporting legislation to help provide adequate job opportunities for farm workers displaced by mechanization in agriculture as well as for workers displaced by automation in commerce and industry. For this reason, the AFL-CIO has strongly supported measures to create new job opportunities in rural areas that now suffer from low-income and chronic under-employment. Such aid is included in the provisions of the Douglas-Spence Area Redevelopment Act, S. 722 (see Fact Sheet No. 2).

Thus, in many ways AFL-CIO continues to seek the enactment of legislation that will help secure a just return and a better life for all Americans who work in agriculture.

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Fact Sheet on Social Security Legislation

July 6, 1960.

Limited Action by the House

The House Ways and Means Committee by a vote of sixteen to nine turned down any Forand-type program for health care of the aged. The bill reported to the House (HR 12580) was acted on under a closed rule which did not permit any floor amendments. It was passed overwhelmingly by the House on June 23 with many liberal members expressing their hope that health care provisions would be added in the Senate.

The House-approved bill contains some improvements in social security, such as removing the age-50 requirement for disability benefits, but it does nothing on health care for the aged except on a means-test basis through Federal matching grants to states, as under public assistance.

2. Senate Situation

The Senate Finance Committee held social security hearings June 30 and July 1. On June 30 Senator Clinton P. Anderson joined by Senators Humphrey and McCarthy, introduced an amendment which has a better chance of enactment than any of the other Forand-type proposals.

3. Provisions of the Anderson Amendment

The Anderson amendment makes payments for health care available as a matter of right to be paid from a special account in the Social Security fund. This account would be made up from an increase of $\frac{1}{4}\%$ in both the employers' and employees' social security tax. The benefits are in some respects broader than in the Forand bill, and with this wider scope, other limitations were added in order to hold down the cost.

Persons Eligible: All OASDI beneficiaries at age 68 (nearly 9 million).

Benefits: Hospital care up to 365 days, with initial deductible of \$75, repeated after 24 days.

Special services in hospital: laboratory, X-ray, private duty nurses, physical restoration.

Skilled nursing home care during recovery: 180 days.

Visiting nurse services: 365 days.

4. Prospects for Senate Action

The Senate will convene on August 8, and the Senate Finance Committee is expected to report out a social security bill shortly thereafter.

Our aim is to have the Anderson amendment adopted if possible by the Committee, and, failing that, by floor amendment. The Anderson proposal can be broadened to bring railroad workers into the program.

The majority of the aged would have the new form of protection, and some improved assistance would be made available to others through the medical care provisions of the House bill.

Social Security Department, AFL-CIO, 815 16th Street, N. W., Washington 6, D. C.

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The rapid introduction of automation, technological change and new methods of production in recent years have eliminated hundreds of thousands of jobs throughout industry. Economists are concerned that even greater technological unemployment may be ahead. In these circumstances efforts to promote security of employment are of vital importance and concern not just the displaced worker but the nation as a whole.

Yet at the very moment when such efforts are most needed in the national interest, the Republican leadership in the Senate has been pressing for legislation to outlaw all collective bargaining for job stabilization.

That is the clear purpose of the so-called Dirksen bill on which "quickie" hearings were held by a Senate Judiciary subcommittee headed by Sen. John

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L. McClellan (D-Ark.) in the closing days of the 86th Congress.

The speed with which this bill, striking at the very heart of labor's right to bargain for contract provisions intended to reduce the adverse effects of unemployment, was scheduled for hearing indicates that anti-labor forces in industry and in Congress have made it the new major focal point of their continuing campaign to hamstring collective bargaining. The reintroduction of this measure may logically be regarded as a virtual certainty when the 87th Congress convenes in January 1961, and since its author is the Senate Republican leader, the bill may be considered to reflect the thinking of a substantial group of his GOP colleagues.

The bill's introduction, admitted by its sponsor to be immediately aimed at preventing the Railroad Telegraphers from bargaining with the Chicago & North Western Railway over the discontinuance of agents' jobs resulting from the closing of a number of stations, flew in the face of a Supreme Court ruling upholding the union's right to press its bargaining proposals. In addition, its provisions ignore a report of a presidential emergency board which recently took the railroad industry to task for its failure to give adequate consideration to the question of job stabilization and declared that previous agreements negotiated by railroad labor clearly were "in the public interest."

While it grew out of a railroad labor dispute, however, the Dirksen measure is not limited to amending the Railway Labor Act. Rather it seeks to amend the Norris-LaGuardia Act and the National Labor Relations Act as well, thus making the ban against bargaining over "the creation or discontinuance of positions" applicable to workers in all industries. This fact is indicative of the real aim of the sponsors of this legislation.

Its backers, realizing that they may have moved too fast in applying its restrictions to all of labor at the outset, may seek to secure its enactment by limiting the bill's coverage to public utilities, or perhaps just the railroad industry alone. Their objective of ultimately applying it to all of labor, however, has already been indelibly revealed.

Why should some segments of American industry be pushing legislation of this kind as the major focus of their attack on organized labor? What reasons would prod the Republican leadership in the Senate to press for such a clearly anti-labor measure by scheduling hearings with extraordinary haste although there was no labor-management crisis requiring immediate action?

The answer lies in large part in the economic history of recent years, and its impact on labor-management relations. The lagging pace of the national economy during the Eisenhower Administrations has brought conflicting interests and pressures into play which threaten stable and responsible labor-management relations.

While the economic troubles now confronting the nation cannot be blamed primarily on automation

itself, the slowdown in the growth of the national economy has accentuated the human problems which technological advances bring.

In order to maintain profits at their record high levels in a period of under-employment, management has been forced to offset the lag in consumer purchasing power by speeding up the introduction of automation and technological changes and by pressing harder its demands for increased efficiency and greater output.

On the other hand, workers have been hit by unemployment and under-employment, created in large part as the result of rising productivity at a time when the economy was not expanding rapidly enough to absorb the increase. The great increase in output per manhour has enabled industry to maintain its high profit levels, and organized labor logically has pressed to win a fair share of this productivity gain in the form of higher wages and more secure working conditions.

High among labor's goals in the latter category have been measures aimed at protecting employes against job displacement, to insure safe and sanitary working conditions and to provide retraining programs and more adequate unemployment insurance protections.

An expanding economy would make possible enough national economic growth to absorb the dislocations caused by advancing technology and greater output. Technological advances can produce fair profits, a high wage level, job security and a more efficient service or better quality product at savings to consumers without serious dislocations in the economy. When the economy lags, however, unemployment rises, purchasing power falls, surpluses of unconsumed goods pile up and profits, in spite of soaring worker output, tend to freeze or decline.

That's what has been happening over the last seven and a half years, and it has sharpened the pressures on management and labor. It has been the prime motivating factor, for example, behind the sometimes virulent management attacks on the so-called "work-rules" and the demand by industry that it have "the unrestricted right to manage our own properties."

Labor's opposition to these management proposals stems from a legitimate concern over the many evidences that industry will not hesitate, unless prevented by union contract provisions, to sacrifice hard-won working conditions to its desire to reduce costs in order to maintain high profit levels.

In recent years the problem of worker displacement as the result of automation or technological change has been the major point of contention in every important labor dispute. It has involved the steel, electrical equipment, mining, oil, rubber, chemical, longshore, meat packing, auto, railroad and other industries.

These technological developments — in the long view—are desirable in that they hold promise of an ever-greater productivity, higher wages and a more abundant standard of living for the nation as a whole. But there is an increasing concern over the impact upon individual workers. Norbert Wiener, Harvard professor known as "the father of modern computer systems," has predicted that "automation will cause unemployment to an extent that will make the depression of the Thirties seem a pleasant joke."

No matter what the future portends, the immediate effects of automation and technological advances in recent years have been accompanied by real hardships for hundreds of thousands of displaced workers and their families and even near-catastrophes for entire communities.

The great rise in productivity has meant widespread displacement of workers and the spread of continuing unemployment even in what have been relatively prosperous years for industry. There are 500,000 fewer full-time jobs in America today than there were three years ago, and fewer manhours of work are being provided in the private sector of the economy than there were seven years ago, although the labor force has increased by 5.5 million during that period.

More than two million jobs in manufacturing, mining, and the railroads have been lost since the present Administration took office, and if it had not been for an increase in public employment, there would be even more jobless than we now have.

The postwar "population explosion" will have its greatest impact on our labor force in the next 10 years. By 1970 there will be 87 million new Americans able and willing to work, and this means that we must create 25,000 new jobs every week for 10 years just to keep pace with this growth. That figure does not allow for job shrinkage caused by automation and technological change.

That the latter will pose a real problem is suggested by production and employment figures for the last decade. The Federal Reserve Board index of manufacturing production, for example, shows that between 1948 and 1959 output rose by 53 percent. Over the same period, however, the number of factory production workers decreased from 12.7 million to 12.2 million.

In some industries where automation and technological innovations have come at an unusually rapid pace, productivity increases—and job displacement—have been far above average. Employment in the

auto industry declined substantially even though more cars were produced. In Detroit alone, 130,000 jobs in the auto industry disappeared between 1948 and 1959.

The impact of technology upon the railroads has had even more harmful effects upon employment. Between 1921 and 1958, the number of railroad workers was cut in half, dropping from 1,680,000 workers to 840,000. It is even lower today, the latest figures showing 792,929 employed by the railroads in August 1960.

This drop in rail employment was not due in any way to a decline in railroad business. The railroads actually handled 57 percent more traffic in 1958 with half the number of workers than they did in 1921. The result was that railroad earnings actually have soared to an all-time high in recent years. In no other five-year periods in their history—not even in the war years—have the railroads had net earnings as high as they did in 1951 to 1955 or in 1954 to 1958.

The basic reason for the high earnings is not hard to find: since 1921 railroad labor's productivity had increased by 228 percent or at a rate about twice that of American industry generally. The result was record high earnings for the industry—and record unemployment among railroad workers.

In view of the railroads' high level of earnings during this period, it is not illogical to expect that they would have made a real effort to help absorb the impact of the new technology upon their employes. Many other industries, in cooperation with the unions of their workers, have made sincere efforts to do so. A survey by the Wall Street Journal in 1959 showed that company executives "generally agree that industry has a real responsibility" to ease the impact of technological advances upon workers.

Such enlightened management policy was totally lacking in the railroad industry. Efforts by the railroad unions to negotiate stabilization of employment protections were bitterly resisted by management, and the dispute between the Railroad Telegraphers and the Chicago & North Western is only one in a series of such efforts by railroad labor to make railroad management face up to its responsibilities.

Because of railroad resistance, for example, it took the Maintenance of Way Employes 10 years—from 1949 to 1959—to negotiate an agreement on stabilization of employment with the carriers although mechanization of track maintenance operations was proceeding at a record pace throughout this period.

Railroad labor's efforts to promote job stabilization have had the full backing of every governmental agency which has been called upon to consider them. These include the National Mediation Board, which told the railroads that they were wrong in contending that they did not have to bargain on this issue; the U.S. Supreme Court, which ruled that the Chicago & North Western was wrong in refusing to bargain on job security with the ORT, and finally, the presidential emergency board in the recent "nonops" wage case, which placed particular emphasis upon the need for railroad job stabilization from the standpoint of the public interest.

In its report to the President, the board cited the Washington Job Protection Agreement of 1936, applicable to displacements arising from mergers, and the "more recent agreements between some organizations and individual carriers over automation" as examples of steps which it said are "illustrative of constructive relations over a long-run viewpoint." The board listed "the absence of measures to deal with the rapid rates of unemployment and lay-offs" as a "fundamental problem" which it said the industry should take steps to resolve.

The fact is, of course, that measures for job security have long been part of collective bargaining agreements in nearly all major industries. Only in recent years have railroad and other managements seen fit to fight them on grounds that they are "non-bargainable" issues.

Despite this long history of public support for job stabilization measures in the railroad industry, Dirksen said in a statement when he introduced his bill that the specific purpose of the legislation was to overcome the ruling of the Supreme Court that the Chicago & North Western must bargain over the ORT's proposal for employment security.

Prior to the introduction of the bill, the railroads had undertaken a major public relations campaign which had completely distorted the nature of the Supreme Court ruling, making it appear that the decision would require the railroad to maintain positions and keep stations open which no longer were required. The fact is that the railroad's contentions had never reached the point of being considered, since management had simply and flatly refused to negotiate or bargain on the ORT's job stabilization proposal.

The District Court which first upheld the union in this case found that the issue was simply a dispute over the railroad's refusal to bargain, and the Supreme Court decision also found that, under the Railway Labor Act, the railroad has an obligation to bargain on the proposal—not necessarily to accept it or agree with it, but to bargain about it. The truth or falsity of the railroad's claim that the jobs were no longer needed was never ruled upon.

In his testimony before the McClellan subcommittee, President G. E. Leighty of the Railroad Telegraphers denied categorically that the volume of business at the stations which the railroad was seeking to close had dropped to a point that the public no longer had a need for their service. He cited the large annual gross revenues for the stations involved, many of which alone handled more business annually than the total savings which the railroad estimated would result from the closing of all stations combined.

Leighty hit directly at the notion that management alone should have the right to make decisions affecting the railroad industry.

"We do not concede that any matter affecting the railroad industry is a 'management prerogative'," he said. "The railroad industry is, above all else, a public service industry and the public's interest certainly must be over-riding.

"The industry does not belong to the fluctuating group that is called 'owners' nor to the bureaucracy

that is called 'management.' Although the employes we represent have the greatest investment in the industry, we claim no prerogatives; we only deny that any other groups have them."

Lester P. Schoene, general counsel for the Railway Labor Executives' Association, testified that stabilization of employment agreements in the railroad industry have been negotiated as far back as 1928, when the railroad shop crafts and the Seaboard Air Line reached an agreement, still in effect, which provides for annual agreement between labor and management on the minimum force to be maintained throughout the year. He told the committee that the public interest is bound to be taken into account in any negotiations about job stabilization.

"It is taken into account in fixing hours of employment, in fixing wages, in fixing any of the working conditions," he said. "Under the procedures of the Railway Labor Act, if we reach a point where a national emergency may result from a failure to reach agreement, we have provisions for the President to appoint a board to look into it, and certainly the public interest gets taken into account in all negotiations."

Arthur J. Goldberg, general counsel of the Steel-workers and the AFL-CIO Industrial Union Department, emphasized that "in our free society the desirable method of solving all controversies concerning wages, hours and working conditions is through the process of free collective bargaining." He termed the Dirksen bill both an unwarranted interference by Congress with the collective bargaining process and an invitation to both unions and management to run to Congress for the resolution of controversies which should be resolved through collective bargaining.

"Surely Congress cannot deprive employes of any possibility of relief if management unjustifiably combines jobs, eliminates positions and reduces crews," Goldberg said. "But if S. 3548 becomes law, the relief will have to be in Congress or through some governmental agency, not through the process of collective bargaining."

Goldberg predicted that if the Dirksen bill is enacted the sequel will be federal legislation forbidding employers from eliminating or discontinuing jobs unless there is a justifiable basis for such elimination.

"I, for one, do not believe that government is allwise or all-knowing," he continued, "and I believe that the result of any such system would be less efficiency, not greater efficiency. Any possible gain in economic efficiency which may be achieved through the substitution of government regulation for free collective bargaining will be achieved only at the cost of sacrificing values which are central to our system of industrial freedom. And that is the direction in which S. 3548 necessarily, and inevitably, leads."

AFL-CIO Vice President George M. Harrison told the hearing that the Dirksen bill "strikes down the essentials of collective bargaining and would create chaos in every industry."

"The bill would give management a free hand to arbitrarily fix hours and other conditions of employment," Harrison said. "Collective bargaining would become a sham.

"Had this amendment been a part of the Railway Labor Act down through the years, railway employes could not have negotiated with the carriers a 40-hour week, a vacation with pay agreement, or the Agreement of May 1936, which protects the interests of employes in consolidations. This is true because inherent in the authority to create a position is the authority to determine when the work of the position will be performed."

Andrew J. Biemiller, director of the AFL-CIO Department of Legislation, warned that the bill's language might wipe out a whole range of established labor-management agreements, including supplemental unemployment benefits and seniority rights. He pointed out that the phrase "creation or discontinuance of positions" might be interpreted to involve apprenticeship programs, severance pay, hiring halls, job classifications, incentive plans, retraining programs, local working conditions such as crew sizes, hours of work and many other factors which vitally affect employes.

"During the years ahead large numbers of workers are faced with displacement due to factory and even office automation made possible by recent scientific developments," Biemiller said. "This period of adjustment will not be an easy one even if enlightened management and labor cooperate to the fullest in working out programs to cushion its shock. If S. 3548 is intended to permit management to do as it pleases about this whole range of problems, without negotiating with unions—and workers forbidden to strike—then S. 3548 is surely one of the most reactionary, and far-reaching, proposals ever introduced in the Congress."

Biemiller stressed that the issue is not the power of unions to prevent job shrinkage or job changes, for no such power exists, but rather the right of unions to bargain about such matters and attempt to reach agreement on them.

Reprinted from the AFL-CIO American Federationist November, 1960

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

GEORGE MEANY President WM. F. SCHNITZLER Secretary-Treasurer Washington 6, D. C.

815 16th Street, N. W.

to Vone in Sweden

By LISBETH BAMBERGER

Assistant Director,
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NDICATIONS are plentiful that all is not well in the realm of medical care and health insurance in our country.

Union negotiators, fed up with negotiating ever higher contributions to welfare plans and ever higher fee schedules, often resulting in no real improved protection for beneficiaries, are asking what and where the alternatives are.

Some are pinning their hopes on major medical insurance, with deductibles and co-insurance. Others, becoming increasingly aware of the basic inadequacies of the fee-for-service system, are looking to planslabor-sponsored or community-sponsored-providing direct medical service. There is a call from some quarters for government to step in, with investigation, perhaps with regulation, and possibly with subsidies for existing plans.

And there are many in organized labor who feel that present problems simply point up the soundness of labor's original support for national health insurance.

In the midst of all this, it may be helpful to take a look at a system of organizing and paying for medical care rather different from what we have in this country. The Swedish system of financing health care has been praised in much of the world. It is hailed in Sweden as having made access to good, modern medical care possible for all its citizens. We may be able to learn something from the way this program has been working in the five years of its existence, and from the way some of the issues which trouble us here are dealt with in Sweden.

The Swedish system is an intriguing combination of several ingredients which in other countries are often thought of as contradictorycomplete care in the hospital at no cost to the patient, fee-for-service medical practice outside the hospital and universal compulsory insurance.

When universal compulsory health

insurance came to Sweden on January 1, 1955, it wasn't much of an event. The majority of the population was already insured through various voluntary sickness funds, which were regulated and heavily subsidized by the government. Hospital care, the most expensive item of health service, was-and had been for decades-financed almost entirely from public funds. The adjustments that needed to be made were simply toward a greater uniformity of benefits, and the enrollment of those who had previously not been covered.

Most important, there was virtually no change in the organization and practice of medicine that came about as a result of the compulsory health

insurance act.

Forty-four per cent of the insurance plan funds today come from members' contributions; somewhat more than a quarter each come from employers (27 per cent) and from a state subsidy (29 per cent). About two-thirds of the disbursements from the health insurance funds are for cash benefits for income loss during illness.

HOSPITAL care in Sweden has always been accepted as a public responsibility. The vast majority of all hospital beds are in institutions owned, operated and financed by government-national or local. Doctors providing medical care to hospital patients are on salaries to the hospitals.

The only circumstances under which a patient would personally pay for any part of his hospital care would be if he chose to stay in a private room for reasons other than medical necessity or if he decided to go to a private hospital. (Two per cent of all hospital beds are in private hospitals.)

To most Swedes the idea of going to the hospital and receiving a bill for either his hospital stay or for the services of his physician probably would seem as strange as it would

be to an American to find he was being billed for his children's attendance at grammar school or for the emergency service by the local fire department.

And if you suggested to a Swede that, yes, it didn't tax your imagination too much to conceive of the government's bearing the cost of his hospital stay, but you couldn't quite see how he could have his gall bladder removed by Sweden's most eminent surgeon without getting a bill from him, your Swedish friend might ask you whether the professor with the nationwide reputation at the local state university bills his students for the lectures they attend.

And when you explain to him that. of course, professors are paid an annual salary by the university, he'd tell you that now you understand about medical and surgical care in the hos-

pital in Sweden.

About half of the physicians in practice are on a hospital staff. Part (usually) or all (rarely) of their income is made up of the salary they receive from the hospital. The rest comes from fees from outpatients. Hospitalized patients are considered the primary responsibility of all the doctors on the hospital staff.

How much time the doctor spends on hospitalized patients (for which he gets his salary) and how much he spends in the hospital outpatient department or in his own office away from the hospital (seeing patients from whom he gets a fee) is determined by arrangement between the physician and the hospital, and usually varies with his status on the hospital staff.

Hospital staff appointments are made under a merit system, and competition for them is keen.

Medical care for non-hospitalized patients is financed on a fee-for-service basis, in some ways quite similar to the system that prevails in this country. The patient pays the doctor's charge and is later reimbursed by his insurance plan for threequarters of the amount specified for the particular service by the fee schedule applicable in that city or area.

The fees charged by doctors in hospital outpatient departments tend to coincide fairly closely with the insurance schedule. This means that the patient personally is left with no more than about one-quarter of the fee to pay. Doctors seeing patients on a private basis—sometimes in the hospital outpatient department, but usually in their private offices—are free to charge more than the scheduled amount.

For example, a physical examination by a doctor in Stockholm may be scheduled at 16 kroner (approximately the amount earned by an average metalworker in two and a half hours); the insurance would reimburse 75 per cent of that amount, 12 kroner.

The doctor, however, may charge 18 or 20 kroner or even more if he is a physician with a great reputation or if he has rendered some complicated service not taken into account on the fee schedule.

In large cities the difference between the scheduled fee and the fee actually charged is likely to be greater than in the smaller communities.

This is the general pattern. There are two major variations.

Medical care in rural areas is provided primarily by district medical officers. These doctors are employed by the government. They have certain responsibilities which we consider in this country to be in the province of the public health official, such as maternal and child health care, school health services, supervision of public hygiene.

In addition, however, these doctors also provide general non-specialist medical care in the home and office to the people who live in their districts. The fees charged for these services are set by regulation and are slightly lower than the insurance schedule. The patient pays this fee and is then reimbursed 75 per cent of the fee by the insurance fund.

A second variation is to be found only in the larger cities, where the big hospitals maintain "polyclinics." Here specialist care is available from physicians who are on salary to the hospital for the services they provide to outpatients as well as to hospitalized patients. They therefore collect no fee themselves.

The Stockholm polyclinic, for example, collects 12 kroner per visit—3 kroner from the patient and 9 kroner from the insurance plan. Thus, by visiting the polyclinic, the patient is assured that there will be no extra fee. He also does not have to advance the three-quarters of the payment which he would be reimbursed later by the insurance plan. The polyclinic collects it from the plan directly.

Laboratory examinations and X-ray therapy and examinations are considered professional services, and are paid for in just the same way as other physician care.

Some medicines, considered essential for the treatment of specified diseases, particularly chronic diseases, are available at no cost. Insulin for diabetes is an example. For other prescribed durgs and medications that cost more than 3 kroner (about 75 cents), the patient pays one-half and the insurance fund pays half.

MEDICAL care and cash benefits for industrial accidents or diseases are covered by separate legislation from the health insurance program. There is, however, an arrangement for coordination between the two that makes remarkably good sense.

The medical care and cash benefits obtained by a worker whose disability or sickness arises out of employment are both paid for out of the health insurance fund during the first ninety days of disability. Part of the employer contribution to the fund is intended for this purpose. Thus, regardless of the cause of his injury or illness, the worker is immediately taken care of. Causes and responsibilities are determined later. The Swedish worker cannot fall in the crevasse between his health plan and the workmen's compensation scheme, as the U.S. worker can, and often does.

This coordination also permits an arrangement whereby a physician, employed part-time by a business or industry to provide care to the workers on the job, may also be chosen as their personal physician by some workers in the plant and their families.

The passage of the legislation providing for compulsory national health insurance was not opposed by Sweden's doctors, and they are today quite content with the way the system is working. This is probably due

mainly to the fact that the legislation really did nothing to disturb the existing patterns of medical practice.

It was possible to provide for national health insurance in Sweden without changing the basic forms of medical organizations for several reasons:

1. Hospital care had always been in large part publicly financed. This meant that this large chunk of expenditures—both the hospital stay and medical and surgical care in the hospital—remained unaffected.

2. With some exceptions—which had usually existed before the national health insurance scheme was introduced—doctors were permitted to continue to set their own fees for non-hospital care.

 Controls on quality of care also existed before the national health scheme, primarily because of the hospital-centered type of medical practice.

I suspect there is another reason that Sweden's national health plan came into being without violent opposition. Swedish social institutions generally make strikingly good sense to an American observer. They seem to reflect a reasonableness, a rationality of approach to social problems on the part of the Swedish people—which perhaps grows out of the fact that there are only seven and one-half million of them, and a very homogeneous seven and one-half million at that

I had the impression that they are more likely to deal in issues, as opposed to slogans and shibboleths, than we are in this country. "Socialized medicine" doesn't frighten anybody in Sweden; it seems as though everybody over the age of 12 has participated in a study group or something and knows what socialized medicine actually is. Also "inflation" and "the wage-price spiral" and "the right to work."

He knows what they all mean,

Of course, any consideration of social legislation in Sweden must take into account the very important fact that Sweden is a nation which has not been at war in more than a century. As one Swede put it to me, "If we had not been able to do something under such unusual conditions, we would not have been much good."

The arrangement whereby the patient pays a fee for each service he receives outside the hospital, and which permits the majority of physicians to practice at least part-time in a setting where they are free to determine their own fee, is an important feature of the Swedish health scheme.

It constitutes one of the most important differences between the Swedish and the British plans of national health insurance. Presumably it was one of the conditions the Swedish doctors insisted on in return for their

support of the system.

I believe that there are many dangers in fee-for-service medical practice. I also believe that it exists in Sweden in its least harmful form, because it seems to result neither in financial deterrents to needed care nor in the provision of unnecessary care.

The fact that there are no fees for hospital care or for medical and surgical care in the hospital means, of course, that in this area there are no economic barriers. It also means that precisely where, under fee-for-service arrangements, the greatest financial incentive to the physician to perform unnecessary services exists, fee-for-service practice is eliminated.

So far as outpatient care goes, it is crucial, in considering the effects of the fee system, that everyone, whether he lives in the city or in a rural area, can go to a doctor who is committed to not charging over the scheduled amount. The one-quarter of the fee which the individual then has to pay is a small enough amount that, given the fact of widespread prosperity—it is said there are no poor people in Sweden, and from what I was able to see and learn, that is true—it probably does not constitute a real deterrent.

There is apparently no pressure to abolish the fee for outpatient services. With no exception, everyone I talked to expressed the conviction that these out-of-pocket payments were not large enough to inhibit anyone from seeking care. They exist, I was told by some, as revenue producers—to supplement the prepaid funds. Most often, however, I was told that people, after all, are more likely to value a thing or a service they pay for, no matter how little they pay.

One union official said:

"We don't charge for the pamphlets our research department puts out to make money on them. We just think that people are more likely to read them, that's all."

THE rate of hospital utilization by any population is influenced by a large number of factors, including the incidence and prevalence of illness, climate, housing, family and other social considerations, the nature of medical practice and medical policies, the supply of physicians and supply of hospital beds, the availability of alternatives to hospitalization, and, of course, the methods of financing medical and hospital care.

Right now many people in this country are becoming interested in the effect of the method of organization and payment for care may have on the utilization of care—particularly hospital care. It is of interest, therefore, to ask whether the existence of completely free care during hospitalization, particularly when it is coupled with ambulatory care paid partly out of pocket, results in excessive utilization of hospitals.

The number of days spent in the hospital by every 1,000 inhabitants is much greater in Sweden than it is in the United States. Yet, among all the experts in medical care and health insurance whom I talked to in Sweden, I found no one who believed that overhospitalization was a

problem.

There is the same trend in Sweden as there is in this country, toward finding more economical means of providing bed care than in the traditional acute general hospital (the use of hostels, progressive patient care units, etc.), but it is quite apparent that it is widely felt hospital beds are being used effectively and efficiently.

The reason most often cited for the absence of the "unnecessary utilization" problem is that the hospitals are too full. There is no room for patients who do not clearly need hospitalization for medical reasons. Yet the fact that hospital occupancy rates (proportion of occupied beds to total beds) are only slightly higher in Sweden than in the United States makes this a not wholly adequate explanation of the difference.

An additional reason— which no one to whom I talked in Sweden so much as hinted at—may lie in the fact that the doctor will continue to collect a fee only so long as his patient stays out of the hospital. The patient ceases to be a paying patient as soon as he gets into a hospital bed.

Could the financial arrangements

provide an incentive for physicians to keep their patients on their feet?

The various indices commonly used to measure quality of care and the observations of medical experts—Swedish and foreign—all point to the conclusion that medical care in Sweden is of the highest quality.

Among the factors that account for this are certainly the relative lack of financial barriers to needed care and the dominant place of hospital-centered medical practice. A system of medical practice based in a well-organized hospital staff, for outpatient as well as inpatient care, brings with it most of the benefits to be realized from group practice—which, in the sense that we know it, is virtually non-existent in Sweden.

These benefits include the economies of shared equipment and personnel, the increased opportunities to keep up with medical developments through formal and informal consultation and education, and the higher standards that result from professional colleagues working in close contact with one another.

The arrangements for the provision and financing of medical care in Sweden are, without doubt, a success. By and large, every person in Sweden gets the medical care he needs, at the time he needs it, and under circumstances which are decent and humane. The modifications currently being suggested in the national health insurance system are only minor, administrative ones. Neither unions nor other consumer or public groups nor doctors are advocating any basic changes.

A discussion about the organization and financing of medical care with a Swedish man or woman who is concerned about social issues will rarely

be very animated.

One gets the distinct impression that this is one set of problems the Swedish people feel they have in large

part solved.

The inadequacies which still do exist are recognized. They can be and are being dealt with within the existing system. Thus, plans are being made toward better care for the mentally ill and the development of mental health programs aimed at prevention, better organization of facilities and services for the aged, the more widespread use of new techniques in rehabilitation, and the

greater accessibility to care for those who live in rural areas.

Perhaps as the Swedish people become more accustomed to having the medical care they need readily available to them, there will also come a demand for more personalized care in the polyclinics and in some of the hospital outpatient departments. Surely the introduction of efficient appointment systems in the polyclinics could not be far away.

One problem—on the existence of which there seems to be widespread agreement by all except the medical profession—is the present shortage of doctors. The upper limit on the number of students who may be taken into the medical schools is set by the government, with the advice of the Swedish medical society. It has been increased from below 200 at the end of World War II to 450 in 1960.

Sweden has a lower ratio of physicians to population than any European country except Yugoslavia, Finland and Poland. Sweden's ratio of one physician to 1,190 population compares to a U.S. ratio of 1 to 790.

There are shortages, too, of other

professional health personnel, including nurses, physical therapists, etc., making the scarcity of doctors still more acute.

It may be that many of the improvements that will be made in Swedish medical care in the future await an increase in the number of practicing physicians. However, the fact that high-quality medical care is available today to the people of Sweden despite this extreme shortage of physicians speaks volumes for the excellent organization of services which the Swedes have achieved.

Reprinted from the AFL-CIO American Federationist

JANUARY, 1960



labor and world peace

American labor is concerned with the deepening crisis which is gripping the world. This crisis is primarily a struggle between the forces of freedom led by the United States and those of totalitarianism, directed by the Soviet Union and Communist China.

This struggle is, at once, one for military and economic supremacy and—at the same time—for ideological leadership of the economically under-developed countries, the uncommitted peoples of the world. It is also a struggle in which all free peoples, including free labor, share a common concern and a common destiny. In crucial areas of the world, old governments are being overturned and the economic and social institutions which no longer meet the challenge of a world in change are being transformed.

For many years American labor has been playing a vital role in international affairs. At the merger convention of the AFL and the CIO in December 1955, American labor declared that "in common with labor everywhere, it has the greatest stake in the preservation of peace and the promotion of freedom." We have approached the international crisis as patriotic citizens, with the utmost interest in building a world which is free from dictatorship, poverty and war.

From its beginning, the American labor movement has firmly supported the United Nations and has urged that it be strengthened in order that it could fulfill its purpose of insuring and maintaining peace throughout the world. American labor has played an important role in the UN's adoption of the Universal Declaration of Human Rights and in the exposure of slave labor in the USSR, as well as the setting up of the UN Special Committee on Hungary. AFL-CIO President George Meany and Vice President George Harrison have been members of the U. S. Delegation to the UN. In the past, Ameri-

can labor has urged measures which would insure that the use of the veto in the Security Council did not paralyze its power to act in preserving peace. The AFL-CIO has also urged that our own government provide the UN with greater resources so that it can serve more frequently and actively in the promotion of harmonious international relations and human well-being.

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American labor is convinced that the UN. as a strong world organization empowered to take collective action for collective security. would provide mankind with a greater guarantee of peace. It also strongly supports the specialized agencies of the UN such as the WHO. set up to help eradicate diseases, UNESCO, which is fighting against illiteracy, and the International Labor Organization, whose purpose is to promote social justice around the world. It pays particular attention to the ILO, which is a tri-partite organization of labor, management and government, and which was established after World War I at the recommendation of Samuel Gompers, founding president of the American Federation of Labor.

American labor realizes that the struggle to establish or protect free and democratic unions is not an easy one. History has tragically demonstrated that where totalitarianism is in power, its first victim is free trade unionism. Whether it be Nazism, Fascism, Falangism, Communism or military dictatorships, the resulting picture is first-destruction of the free unions and then the wiping out of the liberties of all the people. When Venezuela, Argentina and other Latin American countries were under the heel of dictatorships, American labor-in concert with other free unions-helped to nourish a free union in exile. When the Hungarian Revolt broke and fed the flames of liberty in Eastern Europe, American labor was quick to give moral and material aid to the freedom fighters and helped thousands of them to rebuild their lives in new jobs in the United States. There are many other examples that could be given.

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American labor had its own "Marshall Plan" in Western Europe, even as the guns of war were silenced. It helped provide, in the form of CARE packages, food and clothing for the trade union leaders who had been exiled or imprisoned so that they could keep alive and get back on their feet, in the first instance; and later, so that they could strengthen their newlyestablished trade unions in the task of helping rebuild a democratic society.

In the emerging areas of Africa and Asia, where trade unions and national movements have often been fused, American labor-which is strongly anti-colonial as well as anti-Communist -has offered technical assistance. To meet the special needs of the developing areas of the world, American labor established a trade union Point Four program. American trade union representatives have helped in places like Kenya and Okinawa in providing the know-how for setting up sound organizations. Thus, while the international Communist apparatus is pouring in men and materials to penetrate, subvert and control, American labor is playing a positive democratic role to help those democratic institutions, known as free trade unions, provide social and economic solutions to the pressing problems of our time.

The AFL-CIO is one of the leading members of the International Confederation of Free Trade Unions (ICFTU), a world-wide organization of nearly 57 million free trade unionists dedicated to the task of raising living standards, fighting tyranny and helping to secure peace in the world.

When American trade union representatives go abroad, they do not go as tourists. They provide a picture of America which is sharply different from the caricature which our enemies paint—one which shows American workers as lackeys of capitalism, tools in the hands of Wall Street, and slaves to the industrial machine. Abroad, American labor is telling the true story of its increasing participation in the country's economy, of its voice in the country's political future, and the fact that it plays a vital role in society—while at the same time not glossing over the serious problems (racial discrimination and other expressions of social injustice). When a steelworker from Aliquippa talks to steelworkers in Jamshedpur, India, they speak a common language that bridges time and distance.

In addition to their direct activities in the international field, American labor representatives are serving the United States Government as labor attachés, labor advisors and labor technicians in several missions around the globe. Some—although not all—are drawn from labor's ranks. These attachés, by dealing with workers, have been able to interpret vital trends that are taking place in the crisis areas of the world, because these changes are taking place not in the chancelleries of the world or in the fashionable homes of the well-to-do, but in working class districts, in the factories or on the plantations.

At home, American labor has a person-toperson program for visiting trade unionists, parliamentarians, governmental experts and others, who come to the United States each year to have a look at what the American labor movement is and does. To accommodate them, U.S. unions have opened their homes, their union offices and their warm friendship and hospitality. They have shown how collective bargaining operates, how unions are run, but more than that, they have demonstrated that America is a house of many mansions, many groups, many virtues and many faults, but that all groups, including labor, have a vital role to play in the pursuit of happiness and in the strengthening of our free society.

In summary this is the for world

- 1. Our country and the free world must acquire adequate military strength to deter and, if necessary, to defeat any aggressor. What we need, not what it costs, must be the determining factor.
- NATO must be revitalized and broadened into an organization for promoting effective economic scientific and cultural—as well as military — cooperation among its member states.
- 3. America should exert stronger leadership in an international program to promote peaceful uses of atomic energy, harnessed to modern industrial techniques.
- 4. Only an unceasing struggle against racial discrimination in the U.S. will enable our country to win the full trust and support of the captive peoples of Africa, Asia and Europe.
- 5. Colonialism must be systematically eliminated and the nations thus gaining independence assisted in raising the living standards of their people through industrial and agricultural development.
- 6. Every effort must be made to secure even limited reduction of armament, provided effective international inspection is guaranteed. Our goal should be the banning of military atomic tests, an end to pro-

the AFL-CIO program rld peace and freedom

duction of nuclear and other weapons of mass destruction and the genuine reduction of land, sea and air forces.

- The U.N. should be strengthened as an instrument of world peace, and empowered to implement its decisions on vital international problems.
- 8. Under U.N. supervision, free elections should be held in every area or territory in dispute—in Asia and Africa, as well as in Europe This is the only just and practics method for the reunification of Germany.
- 9. It is most urgent that the U.S. cement closer ties with our Latin American neighbors on a basis of equality. By helping to promote economic development and to raise living standards, we can unite the continent as a more effective stronghold of peace, freedom and wellbeing.
- 10. Our government together with private industry, should pursue a clear-cut policy of stepped-up economic growth. Only thus can we meet the needs of the defense program and our increasing population. Only thus can we carry out our obligations to preserve peace and promote a better way of life for mankind.



AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

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GEORGE MEANY
President

WM. F. SCHNITZLER Secretary-Treasurer



LABOR LOOKS
AT

NATIONAL
ECONOMY

This material is reprinted from the National Economy section of the Report of the Executive Council of the AFL-CIO, Third Convention, San Francisco, Calif., September 17-23, 1959.

American Federation of Labor and Congress of Industrial Organizations

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Economic Situation

Restrictive governmental policies have contributed to two recessions and a dangerous slow-down of economic growth in the past six years and are still being pursued, despite continuing slack in some parts of the economy.

Improvements in economic activities since the recession's low-point in April 1958 have brought real national output and total employment above the pre-decline levels of two years ago. But a growing labor force and rising productivity endanger the American economy with persistent unemployment of about five percent of the labor force, unless economic activities continue to increase at a rapid pace.

Greatly expanded production levels and job opportunities are essential if full employment and full utilization of the nation's economy are to be achieved. Balanced economic growth of about five percent a year is required to provide adequate defense in the cold war and necessary public services for a growing population.

Despite the urgency of these problems, non-existent runaway inflation has been described as America's major challenge, Although the price level has been reasonably stable for over a year and slack continues in the economy, the continuing fear campaign about "runaway inflation" retards economic growth.

This fear has been used as the justification for government policies including tight-money, attempts to balance the federal budget at low levels of output and income, and exhortations to unions and management to hold the line on wages—all designed to curtail the pace of economic progress.

Speaking of such restrictive policies in the United States and other industrial countries, Dag Hammarskjold, United Nations secretary-general, recently declared: "Although the slack in the industrial economies resulting from the recent recession has not yet been taken up, governments are beginning to show concern about the current expansion, and in some cases have already

This material is reprinted from the National Economy section of the Report of the Executive Council of the AFL-CIO, Third Convention, San Francisco, Calif., September 17-23, 1959.

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

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Economic Situation

Restrictive governmental policies have contributed to two recessions and a dangerous slow-down of economic growth in the past six years and are still being pursued, despite continuing

slack in some parts of the economy.

Improvements in economic activities since the recession's low-point in April 1958 have brought real national output and total employment above the pre-decline levels of two years ago. But a growing labor force and rising productivity endanger the American economy with persistent unemployment of about five percent of the labor force, unless economic activities continue to increase at a rapid pace.

Greatly expanded production levels and job opportunities are essential if full employment and full utilization of the nation's economy are to be achieved. Balanced economic growth of about five percent a year is required to provide adequate defense in the cold war and necessary public services for a growing popu-

lation.

Despite the urgency of these problems, non-existent runaway inflation has been described as America's major challenge, Although the price level has been reasonably stable for over a year and slack continues in the economy, the continuing fear campaign about "runaway inflation" retards economic growth.

This fear has been used as the justification for government policies including tight-money, attempts to balance the federal budget at low levels of output and income, and exhortations to unions and management to hold the line on wages—all designed

to curtail the pace of economic progress.

Speaking of such restrictive policies in the United States and other industrial countries, Dag Hammarskjold, United Nations secretary-general, recently declared: "Although the slack in the industrial economies resulting from the recent recession has not yet been taken up, governments are beginning to show concern about the current expansion, and in some cases have already

taken steps to slow down the rate of growth . . . I wonder whether we are displaying as much concern about the slow-down in economic growth as we are about the dangers of price inflation."

The nation's needs cannot possibly be met by economic stagnation. In consideration of America's obligations in national defense and the international arena, Under Secretary of State C. Douglas Dillon has said: "The 5 percent annual increase (in real national output) recommended as a goal in recent studies

would seem to be an absolute minimum."

A recent report by the Rockefeller Brothers Fund also found that "a growth rate of 5 percent is possible if we realize fully our impressive opportunities for economic expansion. . . . We can afford the defense programs essential for survival. In doing so, however, unless we achieve a 5 percent growth rate, we shall have to hold back otherwise desirable expenditures in the government field and keep the growth of private expenditures below a level commensurate with our aspirations."

The psychology of fear must be abandoned. National policies must be based on meeting America's vast needs and potentials. A balanced 5 percent a year growth rate should be the corner-

stone of America's economic policy.

The Campaign Against an Expanding Economy

The nation has been subjected to an intensive campaign against economic expansion and full employment in the name of fighting inflation. Had America succumbed to such an attack in the early years of the Republic, it would now be an economic have-not nation. Continuing this campaign in the future can jeopardize America's place in a world of rising national powers.

Inflation is a condition of sharp price rises associated with too much money chasing after too few goods. In the United States such inflation has been related to war and the aftermath of war. Excessive demands on the supply of goods and productive capacity after World War II in 1946 and 1947 caused inflationary

pressures. Consumer prices increased 30 percent.

The outbreak of the Korean War in mid-1950 brought another inflationary situation, with excessive speculation, inventory-building and hoarding. Between mid-1950 and mid-1951, consumer prices increased almost 9 percent. Approximately three-quarters of the entire postwar consumer price rise occurred in

those three years of inflationary pressures.

Restrictive economic policies are properly used to curb demand when general shortages of goods, labor and productive capacity exist. In the absence of excessive demand and general shortages, restrictive policies produce economic slack and unemployment. Since mid-1951 there has not been any general shortage or inflationary condition.

For four years, from mid-1951 to mid-1955, the price level was

reasonably stable. Wages and salaries rose and the economy expanded at a fair pace. Although it was not an ideal period, these years provide clear evidence that economic expansion and continuing improvements in wages and salaries are consistent

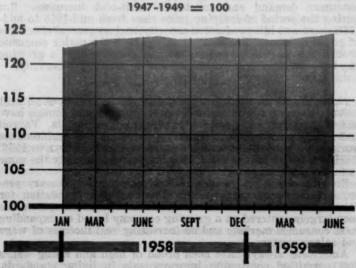
with reasonable price stability.

Many political and business leaders, however, took the leadership in campaigning against a phantom inflation during those years of reasonable price stability. In early 1953 the government adopted anti-inflationary, restrictive policies to reduce the rate of economic growth. Tight money, high interest rates and the attempt to balance the budget at all costs helped start a recession in the summer of 1953.

These policies did not halt price rises. From mid-1955 to mid-1953 the price level rose about 2½ percent a year. These price increases were termed "inflation," although they occurred in a period of economic slack. They provided fuel for a stepped-up fear campaign. Increasingly channels of public communication became filled with talk of inflation, justification of restrictive policies and attacks on wage increases as an inflationary danger.

The facts, however, reveal that the real problem has not been inflation, but a slow, upward rise in the price level. In eight

Consumer Price Index



years, from the end of the post-Korean inflation in mid-1951 to mid-1959, consumer prices increased less than 1½ percent a year

and wholesale prices, one-half of one percent a year.

Attempting to put this issue in perspective, Professor Alvin H. Hansen of Harvard University has pointed out that during the entire 1948-1958 decade, including the post-Korean inflation period, the rate of increase of "wholesale prices was 1¼ percent per annum; of consumer prices 18½ percent. In contrast, in the 16 years of peacetime prosperity from 1897 to 1913 the compound rate of increase per annum was much higher—2½ percent. Taking the longer view covering the six decades from 1897 to 1958, the per annum rate of increase of prices (wholesale and consumer) was 2½ percent... the record during the years 1948-58 (which, however, included a war of considerable dimensions) discloses a per annum price increase not much more than half as large as that of the entire 60-year period. This is by no means an irresponsible record."

The record of the past decade, however, has been distorted into a springboard for a continuing national campaign of fear, tight money and attacks on organized labor and collective bargaining. Government and business spokesmen have criticized as inflation-producing villains economic expansion and trade

unions.

America has been told that wage increases are a particularly dangerous threat, since they supposedly have caused excessive consumer demand and substantial unit-cost increases. But during the period of creeping price rises from mid-1955 to mid-1958 there was idle productive capacity, and no general shortages of goods or labor. For most of this period, the major economic problems were weakness in consumer markets and a growing gap between lagging sales and increasing productive capacity.

Rising Productivity Offsets Costs

Nor did manufacturing wage gains create pressures on unit costs. Rising productivity and rapid technological change have offset the costs of wage and fringe benefit improvements. Payroll and fringe benefit costs of factory production and maintenance workers per unit of output were no greater in 1958 than in 1953. During the first half of 1959, they were approximately the same as in the previous year.

Steadily rising real wages and salaries are a necessary prerequisite for economic growth. They are the foundation for growing consumer markets. The American economic system has been largely centered on a growing economy based on expanding mass consumer markets and on increasing real incomes of wage

and salary earners.

Americans always have been proud of high and rising wages that permitted continuing improvements in living standards. Visitors from other parts of the world came in awe and wonder to see "the golden land" in which working people shared in the benefits of economic progress. Now, Americans are being told to forget such achievements, to forego improvements in wages and salaries and to support restrictive policies that curb expansion. Those who lead the campaign against economic growth seem to believe that there will be little progress in the future, little room for wage and salary increases and improved living conditions.

This campaign against economic expansion is a betrayal of America's heritage of social and economic progress in a free society. It is taking place at a time when economic growth is

needed more than ever before.

Slow-Down of Economic Growth

A shocking state of stagnation has characterized the performance of the national economy in recent years. The government's use of restrictive economic policies to fight creeping price increases has helped cut the rate of national economic progress almost in half. This has been at great cost to the nation.

Between 1953 and 1959,* the increase in the volume of total national output slowed down to an average rate of 2.7 percent a year. This compares with an average yearly rise of 4.6 percent between 1947-53. The population, however, has continued to grow—by 1.7 percent a year. Real national output per man, woman and child, therefore, has increased at a snail's pace during

the past six years.

This rate of national economic growth has been slower than that of almost every other industrial country in the world. The slow-down marks a record of two recessions in 1954 and 1958 and of unbalanced, incomplete recovery in 1955-1957. Even the pick-up from the 1958 recession now in progress is threatened by the repetition of restrictive economic policies which could result in another unbalanced, incomplete recovery.

Had the national economy continued to grow at the pace of 1947-1953, real total output would be about 14 percent greater in 1959. But the slower growth rate for the last six years has produced a cumulative national loss of approximately \$225 billion (in constant 1958 dollars). This deficit in national output has meant a loss of about \$45-\$55 billion in federal revenue. Such revenue could have provided for more defense and public services spending without federal budget deficits. The slow-down has also meant the loss of billions of dollars of goods and services for higher living standards and improved levels of education, health and housing.

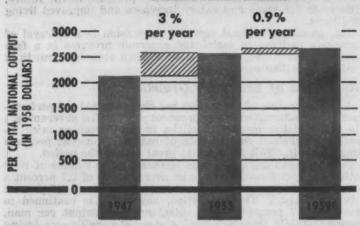
The impact of the slow-down has been widespread:

1-The slow pace of economic advance has contributed to a

^{*} The gross national product, in constant 1958 dollars, rose from \$312.4 billion in 1947 to \$408.7 billion in 1958 and to an estimated \$478 billion in 1959.

SLOWDOWN IN REAL NATIONAL OUTPUT PER MAN, WOMAN AND CHILD

AVERAGE YEARLY INCREASE



SOURCE: U. S. Department of Commerce

*Estimated

trend toward relative economic and military weakness, in relation to the Soviet Union.

While the Soviet Union has continued to increase its military build-up and to step up its cold-war economic attack, United States expenditures for defense and foreign aid have barely held their own.

Although total production in the Soviet Union is less than one-half as great as in the United States, the Soviet system of ruthless dictatorship diverts a large share of output for military and cold-war purposes. Furthermore, as the Soviet economy expands, the totalitarian system can siphon off the additional output for military and international political objectives.

The volume of total production in the Soviet Union has been expanding rapidly in recent years—some two to three times faster than in the United States. This rapid rise has permitted increasing outlays for military and cold-war purposes, as well as small increases in consumer goods. In contrast, the slow economic growth in the United States and the government's overriding emphasis on budgetary considerations have imposed severe limits on defense and foreign aid spending. Continuation of this contrasting trend in the coming years can have dangerous consequences for the United States in the international arena.

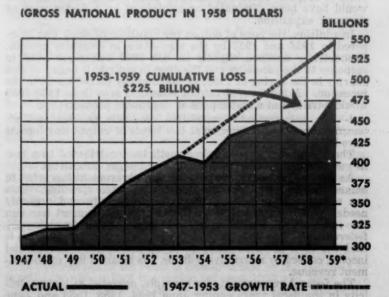
2—Since 1953, levels of unemployment have been higher than in the immediately preceding period.

Slow economic growth in 1953-1959 failed to provide a sufficient number of new jobs to sustain full employment. It also aggravated the social and economic results of technological change—declining job opportunities in manufacturing, railroads and mining and an increasing number of economically distressed communities.

The number of jobless has risen to more than 5 percent of the civilian labor force in 1953-59—higher than the 1947-53 average of 4 percent when the 1949 recession and returning GI's had an impact on unemployment rates. The sharp increase shows up more clearly if compared with 1951-1953, when an average of 3 percent of the civilian labor force was unemployed.

The economy's failure to provide a sufficient number of new employment opportunities during 1953-1959 aggravated the troubles of tens of thousands of workers who were displaced from manufacturing, railroad and mining jobs. It added to the difficulties of an increasing number of communities where major

NATIONAL PRODUCTION DEFICIT



industries shut down, moved elsewhere, or cut back employment. In addition, the government's major emphasis on budget issues brought in 1958 a presidential veto and defeat of attempts to provide government aid for communities of chronic economic distress.

3—The government's restrictive economic policies, advertised as "anti-inflationary," have actually contributed to upward price

pressures.

Since the economy failed to expand output rapidly, the sharp rise in costs for the capital goods boom of 1955-1957 and technological change had to be spread over a slowly increasing number of units of production. The rising costs of depreciation, interest payments, stepped-up hiring of engineers and technicians and the increased use of professional and technical services, therefore, added to unit costs. Businesses passed these unit cost increases on to their customers.

Several key industries, in which prices are administered by giant corporations, were able to maintain or enlarge their profit margins by successive price boosts. A more rapid rate of economic growth in these years would have meant more stable unit costs. Rising expenditures for capital goods and technological change would then have been spread over many more units of output. Increased unit cost pressures on the price level would have been eliminated or minimized by a faster pace of economic expansion.

In addition, the pace of output per manhour of work was hampered in 1956 and 1957 by the slow-down in economic growth. Productivity declined slightly in late 1957 and early 1958 in response to the recession and the drop in output; it began to rise sharply in the spring of 1958, as the economy picked up from the recession. A more rapid rate of economic growth in 1953-1959 would have meant a faster pace of improving productivity.

4—The government's restrictive economic policies and attempts to balance the budget at low levels of output and income have been self-defeating.

The slow-down in economic growth has contributed to a loss in government revenue and continuing budget difficulties.

As part of its restrictive policies, the government has tried to balance the budget at all costs by reducing public spending. This has meant cutting outlays for national security and urgently needed public services. Nevertheless, the government has run into increasing difficulties with the budget and with financing the federal debt. The major reason for this seeming contradiction is that the slow-down in the growth of the nation's output and income, caused by restrictive policies, has meant a loss of government revenue.

The federal government, for example, operated at budget deficits in the fiscal years ending June 1954, 1955, 1958 and June 1959. These deficits were, in large measure, the products of

recession and decline in output and income. A higher rate of economic growth in 1953-1959 would have produced greater increases in national output, income and government revenue. Had national output expanded in these years at the pace of 1947-1953, federal revenue in 1953-1959 would have been about \$45 to \$55 billion more than it was. Government policy should be directed toward balanced economic growth, which can produce increasing government revenue from rising output and income.

The government's restrictive economic policies have been self-defeating in other ways. Tight-money policies and the high interest rates they foster have made it more expensive and more difficult for the government to carry its debt. Interest payments on the government debt rose from \$6.6 billion in fiscal year 1953 to \$8.1 billion in fiscal year 1959—mostly due to the rise in in-

terest rates.

In addition during much of the 1953-1959 period, restrictive tight-money policies with their rising interest rates made it difficult for the government to issue long-term bonds at moderate rates of interest to people who save for the future. The government was therefore compelled to finance an increasing portion of the public debt through short-term securities to banks and other financial and business firms. Despite the declared intention to increase the share of the debt that is in long-term bonds, the government's own policies have helped to cause the opposite effect—an increased portion of the debt in short-term securities.

5—The slow pace of economic growth has added to difficulties

in labor-management relations.

It is considerably more difficult to reach agreement on how to share a pie which is increasing very slowly, than how to share one that is increasing at a rapid rate.

A more rapid rate of economic growth in 1953-1959 would not have been in itself a panacea to end all problems. But a faster pace of economic expansion in those years would have provided more full-time jobs and efficient utilization of productive equipment, greater income and increased government revenue.

It would have permitted more adequate government attention to the nation's major issues—national security and the needs of a growing population. It would have provided, also, a more sober environment for examining the causes of creeping price rises and the development of possible solutions.

Recession and Pick-up

A partial cause of the six-year slow-down of economic progress has been the recessions of 1954 and 1958. The depressing effect of two recessions in six years is demonstrated by the fact that 35 months, or almost half the period between 1953 and 1959, were spent in economic decline and return to pre-recession production levels.

A more rapid rate of growth in the years ahead requires an all-out effort to reduce the possibility and frequency of recessions and to minimize whatever declines may occur. This requires private and government policies aimed at balanced economic growth, as well as prompt anti-recession measures at the start of any decline in output and income. The lessons of the 1958 recession provide considerable experience in learning how to avoid recessions and to minimize their depressing effects.

The underlying cause of the 1958 recession was a growing gap between the economy's ability to produce and its ability to consume. This lack of economic balance developed out of a capital goods boom, which expanded productive capacity rapidly, while consumer buying power and family purchases of hard-goods and homes larged.

Investment Policies Produced Gap

This lop-sided condition resulted partly from the 1954 federal tax changes which gave special tax privileges to corporations and to wealthy stockholders. It also grew out of the cost-price-profit-investment policies of dominant corporations which seek investment funds from large profits based on high prices and from depreciation allowances rather than from private investors' risk capital.

Government and business policies, therefore, provided too great a flow of funds to the corporations. With strong government encouragement, a one-sided business investment boom was under way by the middle of 1955. In the year and one-half from the spring quarter of 1955 to the end of 1956, business investment in new plant and equipment soared 33 percent. This sharp rise in investment—much of it in automatic and semi-automatic laborsaving machinery—brought a rapid increase in the economy's ability to produce goods and services.

But residential construction began to decline early in 1955, consumer purchases of hard-goods started to sag towards the end of the year, and the buying power of per capita after-tax personal income stopped improving in 1956. Economic growth slowed down. Despite the capital goods boom, the number of jobless remained at about 4.3 percent of the labor force and idle productive capacity was growing.

Boom Loses Steam

By early 1957, it became apparent that the business investment boom was quickly losing its steam, as businessmen became increasingly aware of the growing gap between productive capacity and sales. Between the end of 1956 and mid-1957, before the recession started, real national output moved up only about one-half of one percent.

In this setting of economic unbalance and stagnation, the gov-

ernment triggered the fuse that started the decline. During the spring and summer of 1957, the government cut back its placement of defense contracts in an attempt to reduce defense expenditures. Following these actions, and after more than a half-year of stagnant economic activities, the government tightened the money supply further and raised interest rates in August. By the end of the summer, national economic activities were declining.

Between the third quarter of 1957 and the first quarter of 1958, business moved from building stocks of goods at an annual rate of \$2.7 billion to cutting inventories at a rate of \$6.9 billion; business investment in new plant and equipment dropped at a yearly rate of \$5.4 billion; and the excess of exports over imports, which had risen after the Suez crisis, declined at an annual rate of \$3.1 billion. Unemployment rose to over 5 million and work-schedules were cut back. Despite these sharp declines, consumer spending merely sagged at an annual rate of less than \$1 billion.

A downward spiral of layoffs, production cutbacks, wage cuts, falling retail sales and further cuts of output and jobs did not develop. The effects of the recession were cushioned by trade union strength and New Deal legislation. Among the most important factors that cushioned the recession and produced the pick-up have been:

1—Trade union strength and collective bargaining helped to keep consumer income fairly strong, despite the decline in output, working hours and jobs.

Relative steadiness of total consumer income during the de-



Grim face of unemployment is symbolized by long line of jobless lining up at Chicago steel mill during 1958 recession.

cline prevented a sharp drop in retail sales that could have touched off a downward spiral. Although the decline in output and jobs was sharp, total personal income fell at a yearly rate of \$1.8 billion between the start of the decline in August 1957, and the recession low-point of April 1958. By June, total personal income was back to the pre-recession level.

In explaining this development, Professor Sumner Slichter of Harvard University states that, "by far the most important cause of the steadiness of personal income . . . is the rise in the hourly earnings of wage and salary earners." If the hourly earnings of employed wage and salary earners had not increased during the months of declining output and jobs, layoffs and cutbacks in working hours would have caused total personal income to drop rather sharply.

Between the start of the recession and its low point, wage and salary increases for employed workers offset about half of the decline in total wage and salary income caused by unemployment and short workweeks. Trade union strength and the federal minimum wage law helped to prevent widespread wage cuts, while collective bargaining produced wage and salary increases.

In addition, wage and salary rises were put into effect as deferred increases under the terms of previously negotiated collective bargaining agreements. As a result, the recession's effects were partly offset and total wage and salary payments fell by a yearly rate of \$7.9 billion—or 3.3 percent—instead of about twice that much.

Recent technological changes also contributed to the relative steadiness of total wage and salary payments during the decline in output and jobs. Technological changes, in recent years, have shifted an increasing proportion of the work force to such salaried jobs as clerical, government, service, professional, technical and supervisory. These employee groups are usually not laid off during a recession.

In manufacturing industries, such salaried jobs declined 2½ percent between August 1957 and April 1958, while production and maintenance jobs fell 11½ percent. Jobs in state and local governments, on the other hand, increased during the general economic decline. In addition, many of these salaried employes received salary increases directly negotiated by unions or to match union increases, merit raises or deferred increases.

2—The unemployment insurance system provided some weekly family income for most unemployed workers and contributed to the high degree of steadiness of total personal income.

Total unemployment insurance payments increased from \$132,399,000 in August 1957 to \$436,831,000 in April 1958—a rise of \$304,432,000. At the recession low-point, the unemployment insurance system, though inadequate, was paying out a yearly rate of \$3.7 billion more than at the start of the recession. This increase in unemployment insurance payments offset ap-

proximately 47 percent of the \$7.9 billion decline in the rate of total wage and salary payments.

In addition, several hundred thousand jobless workers received supplemental unemployment benefits under terms of collective bargaining agreements negotiated during the previous three years. These supplemental payments brought the incomes of several hundred thousand jobless workers up to as much as 65 percent of their take-home pay.

Government social insurance programs—such as retirement, disability and survivors' benefits—also helped to cushion family incomes during the decline. In April 1958, government payments under these programs were \$93,646,000 greater than in August 1957. Unlike unemployment insurance these programs were not meant to be anti-recession devices, but they permitted tens of thousands of laid-off older workers to retire with regular monthly pensions. The incomes of many of these retired workers were bolstered by pension-plan payments under collective bargaining agreements.

The combined effect of such factors as wage and salary increases for employed workers, the unemployment insurance system, supplemental unemployment benefits, government social insurance programs and pension plans under labor-management agreements was to offset approximately 75 percent of the decline in total wage and salary payments that otherwise would have occurred. Of these factors the major cushions were wage and salary increases for employed workers and the operation of the unemployment insurance system.

Other Factors in Pick-Up

While trade union strength, collective bargaining and the unemployment insurance system cushioned the decline, belated government actions also provided some impetus for the pick-up.

State and local governments continued to increase their purchases of goods and services—mostly for school, road and hospital construction and the operation of school systems.

These purchases of goods and services rose by a yearly rate of \$2.3 billion from the third quarter of 1957 to the January-March quarter of 1958, when almost all other economic activities were weak or falling. They continued to rise through the rest of the year.

The Federal Reserve Board belatedly reversed its tight money policy and started to ease the money supply and reduce interest rates in November 1957.

The Defense Department sharply stepped up the placement of contracts for defense goods—from a low of \$3.2 billion in the third quarter of 1957 to \$5.2 billion in the January-March quarter of 1958 and \$8.5 billion in the second quarter of the year. This extremely rapid increase in the placement of defense con-

tracts came after the Administration had cut back defense contract placements in the spring and summer of 1957. With the step-up of contract placements, defense expenditures, which had declined in late 1957, began to rise—from a yearly rate of \$44 billion in the first quarter of 1958 to a rate of \$45.3 billion in the final quarter of the year.

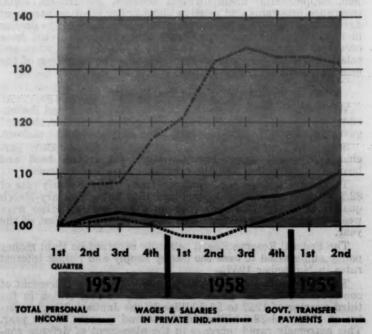
After the sharp economic decline reached its low point, Congress finally adopted several anti-recession measures that helped

strengthen economic activities.

Additional government funds were made available for mort-

DURING 1958 RECESSION-PERSONAL INCOME REMAINED RELATIVELY HIGH

Strengthened by Union-won wage increases and Gov't. payments for Unemployment Compensation



SOURCE: U. S. Department of Commerce

gages for low- and medium-priced homes. Government funds were also made available to step up the interstate road-building program. Although not designed as an anti-recession measure. congressional action to raise government pay scales during the summer of 1958 boosted personal income.

A temporary and far too modest improvement in the unemployment insurance system was adopted. Under this law, states could receive loans from the federal government—with agreement for repayment—for the purpose of extending the duration of unemployment insurance payments to jobless workers who had ex-

hausted their benefit periods.

The experience of the 1958 recession indicates the necessity of attempting to maintain a continuing balance between the economy's ability to produce and its ability to consume: the danger to economic progress of tight-money, high interest rate policies; the importance to the national economy of strong trade unions and effective collective bargaining that help to maintain consumer income at high levels during a recessionary decline: the key role of the unemployment insurance system in partially offsetting the effects of production cutbacks on family income; the potential role of prompt government action, in the form of stepped-up public works programs, to lift the economy when a recessionary decline begins.

New Gap Developing

Unfortunately, these lessons apparently have not been learned. There is a threat of a renewed and developing gap between the economy's productive capacity and sales. In the 15 months between the recession low-point in early 1958 and mid-1959 approximately one-third of the increase in total national production has gone to corporate profits. At the same time, depreciation

allowances have increased.

This sharp rise in the flow of spendable cash to business, particularly the large corporations, presents a danger of a new capital goods boom, despite continuing idle productive capacity. The buying power of per capita after-tax personal income in mid-1959 was only slightly greater than it had been three years before. Yet the Administration continues to emphasize the need for new incentives for business investment while it attacks wage and salary increases as an inflationary threat.

Despite the per-The tight-money policy has been resumed. sistence of widespread joblessness, interest rates have been pushed to levels as high as at any time in over a quarter of a century. A continued rise is expected.

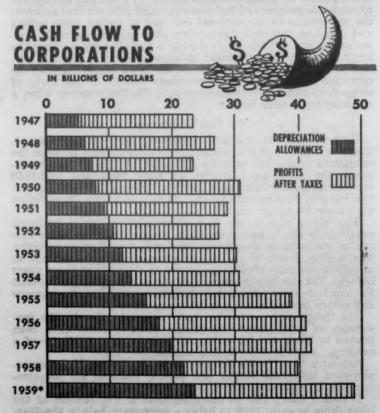
Attempts to achieve much-needed improvements in the unemployment insurance system and federal financial aid for communities of chronic economic distress have been killed.

It took a sharp rise in unemployment to 71/2 percent of the labor force in early 1958 to bring a temporary halt to the fearcampaign against runaway inflation. The pause in this attack on economic growth was short-lived. Inflation again has been declared the nation's major problem. Restrictive economic policies have been reinstated to their prime status.

Output has risen above the pre-recession level, but unemployment persists at about 5 percent of the labor force. There is a real danger that the unbalanced and incomplete recovery of 1955-1957 will be repeated, with the possibility of another recession in the next few years.

Balanced Economic Growth Is Needed

Domestic economic policy should be designed to promote balanced economic growth and to meet the nation's main problems



-adequate national security and the needs of a growing population—while permitting improvements in living conditions. growth rate of 5 percent a year is also essential to provide enough jobs for a growing labor force, in a period of technological change and rising productivity.

Failure of the economy to grow at an annual rate of 5 percent in the years ahead probably will mean persistent joblessness, as well as increasing difficulties in meeting national defense and

public service needs.

Students of national defense insist that the United States is inadequately prepared for the possible needs for conventional military equipment, as well as for medium-range and long-range missiles and for protection of civilian population centers.

The underdeveloped uncommitted nations, emerging from colonial domination, have vast needs for investment funds, development loans and technical aid.

There is a great backlog of unmet public service requirements in education, health, housing, urban redevelopment and community facilities. This backlog developed during the depression of the 1930s and wartime early 1940s, when funds were unavailable or goods were in short supply. Since the end of the war, inadequate federal, state and local programs have scarcely dented this backlog. A growing population has meant growing serviceneeds. The population is continuing to rise at a rate of over 50 million people in 20 years—from 139,000,000 in 1945 to 165,-200,000 in 1955 and a projected 193,600,000 in 1965.

Rising productivity of about 3½ percent to 4 percent a year and a labor force growing more than 11/2 percent a year make it possible to attain the necessary pace of economic growth. A slow rate of economic expansion can result only in continuation

of idle manpower.

31/2 Million New Jobs Needed

The pace of rising manhour output means that the national economy must provide an average yearly increase of about 21/4 million new employment opportunities in private activities and in federal, state and local government employment in the coming years, if labor displacement is to be avoided. Output per manhour in the entire non-government part of the national economy has been rising at an average yearly rate of 31/2 percent to 4 percent since 1947, a rate which probably will continue in the years immediately ahead.

The labor force is increasing at an accelerating rate. An additional 11/4 million new jobs each year will be needed in the years ahead to provide employment for those who will be entering the labor force. The increased birthrate since 1939 is beginning to have an impact on labor force growth. Between 1950 and 1955, the labor force grew 860,000 a year. It is growing 940,000 a year in 1955-1960 and is expected to grow by about 1,250,000 a year, or an annual rise of over 11/2 percent, in 1960-1965.

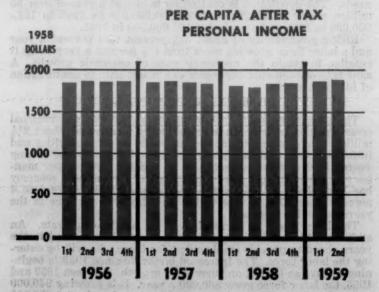
A growing labor force and rising productivity therefore require the creation of about 3½ million new job opportunities in private industry and government employment each year to sustain high levels of employment and generally prosperous conditions. To obtain this number of jobs, real national output should expand by 5 percent a year, or almost twice the rate of economic growth achieved in 1953-1959.

To attain the 5 percent per year growth rate, economic balance is required—balance between private activities and government policies and also within the sector of private activities. Since private activities account for 80 percent of the total economy, a key requirement is a continuing balanced relationship between the economy's ability to produce and its ability to consume.

Higher Wages Needed for Buying Power

Balanced growth of the nation's private sector can be sustained if consumer buying power and purchases continue to rise, as business investment and productive capacity increase. This requires continuing and adequate wage and salary increases, since wages and salaries account for three-fifths of total personal income.

LITTLE GAIN IN BUYING POWER



SOURCE: U. S. Department of Commerce

The consumer is the key to the economy's private sector. Family income is the major source of funds for purchases of consumer goods and services—about two-thirds of all purchases in the economy—and the source of home-building, which accounts for over 4 percent of all purchases. Consumer income and activities, therefore, are the base for almost 70 percent of all output

and purchases in the national economy.

Continuing increases of wages and salaries are possible, with a reasonably stable price level. They can be granted out of the cost-reducing benefits of the economy's rising productivity and business profitability. Industries where efficiency is improving most rapidly can grant wage and salary increases and reduce their prices. Others, in which efficiency is rising slowly, may raise prices somewhat. Business profits can increase from narrow profit margins and a rising volume of sales.

Growing consumer markets based on rising wages and salaries and narrow profit margins have been part of the secret of the past success of American economic growth. They can provide much of the basis for a balanced and growing economy in the

years ahead.

Booms and busts in business investment, however, present a danger that the national economy can become unbalanced with resultant recessionary declines. For balanced growth of the national economy, consumer activities and business investment must continue to rise together in balanced relationship with each other.

The major incentive for business investment is sales—the state of current and anticipated markets. Under normal conditions, a businessman's main consideration in buying new plant and machines is to expand potential output, at lower production costs, to meet current and expected demand for the goods pro-

duced by his firm.

When consumer markets are growing steadily, a continued rise in business investment that is based on present and anticipated market conditions can usually provide reasonable balance between productive capacity and sales. Excessive increases in business profits that provide insufficient consumer income and produce a short-lived investment boom, or government policies that stimulate short-lived, sharp increases in investment and the development of idle productive capacity can destroy that balance.

The Balance Wheel-Government Policy

Since balance in private economic activities involves the decisions of thousands of businesses, millions of families and government policies, it is unreasonable to expect a continuing economic balance between productive capacity and sales to be achieved by itself. Government policy should act as a balance wheel—an economic gyroscope. Government tax, monetary and public investment decisions should be geared to provide full em-

ployment and economic growth. They should provide a continuing balance between growing consumer markets and increasing productive capacity. The President's Council of Economic Advisers should annually present to Congress and the American people the goals and objectives that should be sought in each economic sector in order to sustain balanced expansion and full employment.

The government sector of the national economy has a crucial role in economic development, although it directly accounts for only a small part of total economic activities. Federal, state and local governments have the function of meeting the needs of national security and public welfare. The federal government has the additional and key function of sustaining economic growth and complementing the private economic decisions of

business and families.

If an unbalanced condition develops, and the economy is threatened by stagnation, it is the obligation of the federal government to boost production, jobs and family income promptly through stepped-up public works programs and/or tax cuts on personal income. In the event of a recession, the government should increase its public works programs—to create jobs, incomes and orders for construction materials—as soon as a decline begins. The government should maintain at all times a shelf of detailed public works programs on which work can be started promptly to prevent the losses of recurring recessions.

Policies for Full Employment and Economic Growth

A decisive change in economic policies is needed to meet national requirements during this period of cold war, population growth, rapid technological change and national aspirations of peoples in vast areas of the world who are emerging from colonial domination.

This is a time of challenge to free institutions. The challenge must be met, with faith in America's ability to maintain both freedom and expansion and to remain the free world's center of

strength.

1—Continuing increases in wages and salaries are essential.

2—Cost-price-profit-investment policies of business, particularly the dominant corporations, should be based on lower unit profit margins to provide rising profits from a growing volume of sales.

3—The government's restrictive tight-money policy, with its resultant high and rising interest rates and curtailed pace of

economic progress must be halted.

4—The self-defeating attempts to balance the federal budget at low levels of output and income should be ended.

5—Federal government assistance for economically distressed

communities is required.

6-The unemployment insurance system should be perma-

nently improved by additional federal standards to extend duration and raise benefit payments to unemployed workers. Harsh

disqualification provisions also should be removed.

7—Congress should extend the coverage of the Fair Labor Standards Act to millions of workers in retail and wholesale trade, services and large-scale farming, and should raise the minimum wage under the act from the present \$1.00 to \$1.25

8—Through collective bargaining, as well as the Fair Labor Standards Act, a progressive reduction of the standard workweek should be achieved in the years ahead as technology con-

tinues to advance and reduces labor requirements.

9-The Social Security Act should be improved through increased benefits and medical care provisions for those who are eligible for old age and survivors' benefits.

10-A national and comprehensive effort, with federal leadership and financial aid, is required to meet the needs of a growing urban population—education, housing, urban redevelopment, health, community facilities, natural resources, roads and airports.

11—The government must be prepared in advance to move

promptly should another recession occur.

12—The federal tax structure must be revised. The closing of loopholes and the establishment of a sounder tax base is essential if the government's revenue is to be raised fairly and equitably.

13—The national defense effort is in urgent need of careful examination in terms of the military requirements for the

defense of the United States and the Free World.

14—Economic and technical aid for the peoples who are emerging from colonial domination should be considered as a major aspect of national policy by both the United States and the advanced nations of Western Europe.

15—Because the United States requires a variety of imports, as well as foreign markets for its products, the United States must continue to build its trade relations with other countries.

16-Extensive investigation and analysis of the price structure and its major sectors as a basic requirement for developing possible solutions to the problem of a slowly, upward-creeping price level in peacetime must be continued by the Joint Economic Committee of the Congress as well as by the Senate Subcommittee on Anti-Trust and Monopoly.

Collective Bargaining Developments

There is a great diversity in collective bargaining situations and settlements across the country, but certain general observations are in order on bargaining developments in 1958 and 1959:

1-Unions have continued to achieve reasonable wage gains despite unfavorable economic conditions in 1958 and despite the pressure of a mammoth industry campaign charging that union-

negotiated wage increases are inflationary.

2—The refusal of unions to knuckle under and forego wage increases, or accept merely token raises, has benefited not only union members but the economy as a whole. The negotiation of wage increases in the face of the 1958 economic recession aided strongly in combating the recession. It was a factor in maintaining public confidence. The increases, offsetting much of the loss in income resulting from unemployment, helped maintain consumer buying power and thereby aided in checking the economic downslide and in generating a needed upturn. Negotiation of increases in 1959 is carrying forward this support for growth of the economy.

3—Leading employers in some major industries have been intensifying pressure on unions in an effort to weaken their bargaining effectiveness. This is being reflected in more obstinate and unreasonable attitudes at the bargaining table, growing legislative attempts to cripple unions and in sharply stepped-up public relations propaganda programs. Nevertheless, the overwhelming majority of contracts have been renewed without resort to strikes. The figures show that less than one-quarter of one percent of work time has been lost due to work stoppages.

4—Union bargaining has focused not merely on higher wages but also on various benefit programs required for rounded improvement of workers' standards of living. Improvements have been negotiated widely in health and welfare protection, pension programs, employment security, and vacation and paid holiday time off.

The Wage Picture

The general economic recession in 1958 did not choke off wage increases nor touch off wage cuts as in some earlier periods of economic downturn. Unions did not panic into passing up wage raises.

Except in the most sorely depressed situations, unions held out for wage increases large enough to make up for the increases in the cost of living which had taken place in 1957 and into 1958 and to provide for a reasonable real wage gain in addition. Most were successful in gaining such raises.

were successful in gaining such raises.

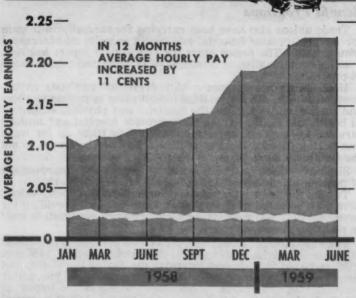
The most typical increases under union agreements in 1958 were 10 to 15 cents an hour, nearly half of which was needed just to regain buying power lost because of previous price increases.

In 1959, wage settlements are running from 9 to 15 cents an hour. With consumer prices relatively stable in the preceding year, these increases have been providing more of a real wage gain than in 1958. From the standpoint of the economy they have been serving to bolster demand and thereby to aid in the task of putting idle men and industrial capacity back to work.

In some major situations attracting national attention, indus-

WAGE GAINS REFLECT UNION NEGOTIATIONS





SOURCE: U. S. Department of Labor

try has tried to sell the public the notion that wage advances are unwise because they would be "inflationary." This inflation-bogeyman campaign is short-sighted. It is a disservice to the nation.

Actually, inflation is not the foremost economic problem confronting the nation, and in any event it cannot be fought soundly by curtailing wage advances. As examined in greater detail in the preceding section of this report, the central concern of the economy should be the need for steady, healthy expansion. Such expansion requires widespread wage increases which play a vital, constructive role in building consumer markets to stimulate and support productive expansion.

The rapid increases in national productivity in 1959, accompanied by rising sales volume, are boosting industrial profits sharply and are permitting the negotiation of sizable wage increases without undue pressure on the price structure. Such wage increases are needed to support and fortify continuing and

accelerated economic recovery and growth. Restraints on wage improvements would be far more dangerous to our economy than any possible small price increases genuinely due to vigorous union wage bargaining.

Benefit Programs

Trade unions also have been carrying forward efforts to gain for workers greater financial and health security and increased leisure time. The period since the last council report has seen a notable continuation in advances in security and leisure bene-

fit programs.

Most unions have placed a high degree of emphasis on improvement of health and welfare benefit plans to protect workers and their families against the financial and physical strains of ill health and death. These plans provide hospital and medical care for workers and their families, pay to make up for wage loss during absence because of illness, and life insurance to aid the family on death of the worker.

Similarly, there has been a steady spread and improvement of pension plans to meet income needs after retirement.

To ease the financial problems of unemployment, many unions have been negotiating unemployment benefit plans providing for payments to supplement state unemployment compensation and/or plans for severance payments.

The supplemental unemployment benefit plans first negotiated in major industries such as auto, steel and rubber in 1955 and 1956, were put to their first extensive use during the widespread layoffs in the recession of 1958. This experience has amply demonstrated their value. They helped to soften the impact of layoffs for hundreds of thousands of workers. And they served helpfully to maintain consumer income at a time when such income support was greatly needed by hard-hit communities and a generally sagging economy.

Unions have also steadily been increasing the amount of desirable leisure time available to the typical worker. This is being accomplished through gradual lengthening of paid vacations and

increase in the number of paid holidays.

New Emphasis on Shorter Workweek

Two-week vacations are rapidly being made the minimum annual vacation, with three-week vacations now increasingly normal after five or 10 years' service, and four-week vacations becoming customary for longer-service workers. At least seven paid holidays a year have also been made the general rule and a growing number of unions have been negotiating additional holidays to make eight or more.

For the period ahead, it is evident that another type of leisure, a shorter regular workweek, will increasingly be emphasized by many unions. Although vacations and holidays are valuable types of leisure, they represent only slight reductions in average hours

worked per week over a year.

A more substantial reduction in hours of work, through a reduction in workweek with the same or increased weekly pay, is being considered by many unions to go hand in hand with the rapid advances in technology and the decreasing use of man-

power in their industries.

The experience with the widespread layoffs during the 1958 recession and the persistence of relatively high unemployment since then are prompting this interest in a shorter week. There is a growing conviction that a shorter workweek must be attained as a vital means of maintaining jobs and converting technical progress into increased leisure rather than into increased unemployment.

Taxation and Budget Policy

During the past two years the budget policy of the U.S. government has become one of the major political issues casting its shadow over many different aspects of congressional and administrative policy.

The President, his Administration and the Republican Party have all joined in placing the need for a balanced budget above



All-night negotiation session hammers out new contract ending first ILGWU strike in dress industry in 25 years.

and beyond needed legislation affecting a variety of government activities. This partisan argument in behalf of a balanced budget has been a forceful factor in holding back legislative action for an expanded housing and urban redevelopment program, federal aid to education, government assistance for airport construction, roads, and natural resources development.

This preoccupation with budget balancing has slowed the pace of legislative enactments, eliminated or delayed needed legislative improvements and distorted decisions on vital national

defense issues.

The appeal made in behalf of balancing the budget developed from the deficit that came with the 1958 recession. The government budget figures submitted in January 1959 showed the following information:

BUDGET TOTALS (Fiscal year in billions)

	1957 actual	1958 actual	1959 estimate	1960 estimate
Budget receipts		\$69.1 71.9	\$68.0 80.9	\$77.1 77.0
Budget surplus (+) or deficit (—)	+1.6	-2.8	-12.9	+0.1

The effect of the recession is clearly seen in the drop of receipts and rising expenditures for fiscal 1959 over the previous year. The apparent slight budget surplus for fiscal 1960 was made possible only by including potential revenue from the President's proposal for an increased gasoline tax and higher postal rates. The budget also reflected certain financial sleight-of-hand bookkeeping methods, one of which, for example, allocated a lump sum payment of \$1.4 billion to the International Monetary Fund to the fiscal 1959 rather than the 1960 budget.

While the budget surplus for 1960 appeared highly problematical at the time the President submitted his budget, the relatively quick upturn of the economy from the 1958 recession may actually produce a surplus by yielding even higher receipts for fiscal 1960 than were previously anticipated. Nevertheless, in both 1958 and 1959, it became necessary for the President to request and the Congress to grant increases in the ceiling placed

on the public debt.

During the controversy over the budget the AFL-CIO has

steadily emphasized the following points:

1—The deficit during fiscal year 1959 is to be welcomed rather than deplored. The deficit provided a great assist in containing

the recession and stimulating the resulting recovery.

2—The necessity for maintaining a balance between receipts and expenditures of the federal government is important, but should be viewed over a period of several years. A surplus or deficit for any one specific year cannot be considered of crucial importance. What is of more importance is the relation of

expenditures to receipts over a period of several years, includ-

ing periods of both recession and prosperity.

3-The exact current status of the budget should not be a decisive factor in opposing legislation otherwise necessary and desirable. Actually, the AFL-CIO program for legislative improvements would involve only a modest cost to the federal budget. In fact, the price tag on the entire 1959 legislative program would involve roughly an amount of only \$21/2-3 billion, or about 3-4 percent of the federal budget.

4—There is more than one way of overcoming a budget deficit. While reactionary pressure groups advocate slashing government spending, it is important to point out the necessity for increased revenue to finance the cost of government services. If the national economy were growing at or close to its potential rate of growth, this by itself would assure steadily increasing tax revenues. While tax rate increases are never popular and would not be desirable in a recession, improvements in the tax structure including closing of numerous loopholes which would yield additional revenue are always in order, and the AFL-CIO has repeatedly argued for congressional action on this score.

No Action on Tax Loopholes

In the field of taxation there has been relatively little congressional action in the past two years. In both 1958 and 1959, the tax rates on excises, including cigarettes, other tobacco products, and alcoholic beverages, and the 52 percent tax rate of corporate profits have been renewed. In 1958 Congress acted to remove the 3 percent excise tax on the movement of freight by rail. The AFL-CIO approved this action to eliminate one of the many regressive excise taxes. The AFL-CIO also continued its efforts to eliminate other regressive excises, including the 20 percent cabaret tax.

In the 1959 session, the bill to extend corporate and excise taxes was quickly passed by the House but in the Senate several amendments were added. These amendments would have ended the 10 percent excise tax on passenger travel and the 10 percent tax on telephone calls. The Senate also approved an amendment long favored by the AFL-CIO to eliminate the special 4

percent tax credit for dividend income.

In the resulting Senate and House conference, the Senate action was drastically modified. The amendment to eliminate the dividend tax credit was scuttled. Repeal of the 10 percent railroad passenger traffic tax was cut to 5 percent and its effective date delayed until July 1, 1960. The Senate action in cutting the 10 percent tax on telephone calls was softened to include only the tax on local calls and the effective date of this action also was delayed until July 1, 1960. Thus, Congress will have another opportunity next year to deal with these two excises.

Earlier this year, the House had passed a measure sponsored by Rep. Eugene J. Keogh, to allow self-employed individuals a special tax deduction on contributions they would make towards their retirement income. The AFL-CIO strongly opposed this measure and testified against it before the Senate Finance Committee, pointing out how the benefits of the proposed bill would be concentrated among higher income business and professional individuals.

The House Ways and Means Committee has scheduled a series of hearings, beginning in November, regarding the general level of the tax structure. The committee's main target will be the large amount of income which at the present time is not being taxed under the income tax laws. The AFL-CIO for many years has been calling attention to this "erosion" of the tax base because of special tax privileges Congress has granted to particular groups in the economy.

Among the loopholes Congress has sanctioned are: the splitincome provision, the failure to withhold taxes on interest and dividend income, the low rate at which capital gains are taxed, the special depletion allowances for natural resource industries, the provision for stock options and the preferential treatment given to dividend income as well as the more generous method of computing depreciation introduced by the 1954 tax law.

Elimination of these various tax-escape provisions is long overdue. If these steps were taken, the resulting additional revenue would enable the federal government to more adequately finance socially desirable services and to enact a long-deserved tax reduction for low and moderate income families.

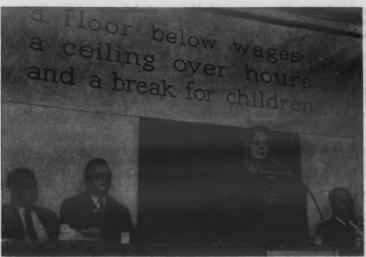
Minimum Standards—Wages and Hours

Fair Labor Standards Act

The AFL-CIO has pressed for improvement of the Fair Labor Standards Act through extension of its coverage to millions of workers still denied its protection and an increase in the minimum wage to \$1.25 an hour.

In the 86th Congress we have particularly supported S 1046, the bill introduced by Sen. John Kennedy and HR 4488, the companion bill introduced by Rep. James Roosevelt in the House. These bills would extend coverage of the act to 7.8 million workers now unprotected and would raise the outmoded \$1 minimum to \$1.25

We have sought this legislation as a desperately needed means of easing the plight of millions of unprotected American workers still paid pitifully inadequate wages and subject to excessive hours standards. We have sought to update the outmoded \$1 minimum to keep in step with rises in the cost of living, advances in the productivity of the economy and the upward movement of wages generally. Such legislation, desirable for humanitarian reasons, would also strengthen the economy by improving the



AFL-CIO and National Consumers League marked 20th anniversary of Fair Labor Standards Act to open drive to improve law.

buying power of the nation's lowest-income worker families.

Twenty of the unions most strongly concerned over the need for these improvements have formed a Joint Minimum Wage Committee as a special means of campaigning for this legislation. The committee has worked in conjunction with the AFL-CIO staff to marshal public and congressional understanding and support for the legislation.

Hearings on extension were held in 1956, 1957 and 1958, but no legislation materialized. This earlier consideration has built a foundation of knowledge and congressional awareness, however, which can serve to bring needed action in the current

Congress.

Administration Offers Token Bill

The Administration is again seeking to prevent needed improvement. Secretary of Labor Mitchell has said the Administration favors S 1967, which is little more than a token measure. It would merely extend the existing \$1 minimum to some of the largest companies now uncovered, involving only some 2½ million workers, the great bulk of whom are already receiving at least \$1 an hour. This Administration proposal would continue to exclude even these workers from overtime pay requirements of the act.

The Administration has argued against substantial improvement in the act on the grounds that there might be an adverse effect on the economy. It has ignored the beneficial economic and humanitarian effects which would flow from minimum wage

extension and improvement. It has tried to spread the impression that there was an adverse employment effect when the

minimum was increased to \$1 in 1956.

The study by the Department of Labor of the effects of the \$1 in 1956 actually shows that the \$1 minimum was easily taken in stride by the economy, that there was a remarkably smooth adjustment even in the South, the region most affected, and that the slight declines in employment which might have been attributable to the increased minimum wage in some of the lowest-wage industries were more than offset by increased employment stimulated elsewhere.

In the Senate, comprehensive hearings on amendment of the act have been completed by a Senate Labor subcommittee. President Meany presented our views in support of the Kennedy Bill. The House Labor Committee planned to hold hearings but had not scheduled them when this report went to press. (See

Supplemental Report Page 376.)

Among other notable recent developments in the field of fair

labor standards are:

1—The council has called for amendment of the act to provide for a 35-hour workweek to replace the 40-hour standard enacted in 1938 more than 20 years ago. We have urged such action as being made necessary, desirable and possible by the rapid technological changes which have been reducing the amount of needed manpower and presenting a threat of persisting and mounting unemployment. Although a number of bills have been introduced to achieve this objective, there has been no serious consideration of them in the first session of the 86th Congress.

2—Extension of the act to farm workers also has been urged on Congress and momentum is gathering for a determined effort to accomplish this great need. Bills have been specially introduced for this purpose by Senators Pat McNamara and Joseph Clark (S 1084) and Rep. James Roosevelt (HR 4947 and HR 4948) to extend coverage to over a million agricultural workers employed on large farms. These bills were not within the scope of the Senate hearings in May and June 1959, but efforts are being made to gain special consideration at hear-

ings later in the 86th Congress.

3—The enforcement data provided by the Wage and Hour Division of the Department of Labor demonstrates the need for continuing vigorous action against violators of the act. During the year ended June 30, 1959, the department conducted almost 55,000 investigations for violation of the Fair Labor Standards Act. It found that some 178,000 employees were underpaid a total of over \$22.5 million under the minimum wage and overtime provisions of the act. Establishments in violation of the act agreed to pay about \$13 million in back pay to almost 124,000 workers who had been underpaid. Additional restitution of over \$1.5 million was made as a result of court action taken by the department.

4—Application of the minimum wage provisions to Puerto Rico was modified slightly by Public Law 750 passed in 1958 by the 85th Congress. It replaced the former annual review of the minimum wage in each covered industry with a biennial review. Representatives of our affiliates have continued to serve as labor representatives on tripartite industry committees which decide how rapidly minimum wages should be raised in various Puerto Rican industries.

Walsh-Healey Public Contracts Act

Under the Walsh-Healey Public Contracts Act, the Secretary of Labor is supposed to determine the prevailing minimum wage within various industries. Firms awarded government contracts are required to observe this minimum to assure that government work is not given to firms on the basis of substandard wages.

This program has continued to limp along at only a fraction of its potential effectiveness, however, so that many workers employed by government contractors continue to be paid wages substandard in their industries despite the Walsh-Healey Act.

Despite our efforts to gain improvement, determinations have been made for too few industries, have generally been unrealistically low when made, and then fall rapidly out of date without being updated. The procedures for making determinations have continued to be cumbersome and unduly time consuming. Delay of two to three years between initiation and conclusion of a determination proceeding has been common.

Sen. Margaret Chase Smith has introduced a measure, S 24, to repeal the Fulbright amendment to the act, which is responsible for much of the undue delay and legal entanglement in the

wage determination procedures.

The Secretary of Labor is aware of the serious shortcomings in his administration of the Walsh-Healey Act. There have been signs, in several determination proceedings in the past year and a half, that the secretary was prepared to improve the program by using more realistic criteria and procedures in determining prevailing minimum wages. This effort at modest improvement has foundered, however, in the face of some industry outcries.

After announcing in March 1959 proposed determinations for the paper and pulp industry and the fabricated structural steel industry, the secretary delayed in making the determinations final. When various companies in these industries protested that the proposed determinations were in effect "too high" for them, the secretary backtracked to "re-examine" the matter and in effect watered down the proposed determination through continued delay in making it effective—even though well over a year had passed since conclusion of the public hearings on which the determinations were supposed to be based.

Davis-Bacon Act

Legislation has been introduced in the 36th Congress to extend the Davis-Bacon Act to all projects paid for wholly or in part by the federal government or covered by federal insurance or guarantees and to include fringe benefits and supplementary cash payments in the prevailing standards protected by the law. Bills seeking these objectives have been introduced by Sen. Hubert Humphrey, S 1119, and the companion bill introduced by Rep. John Fogarty, HR 4362.

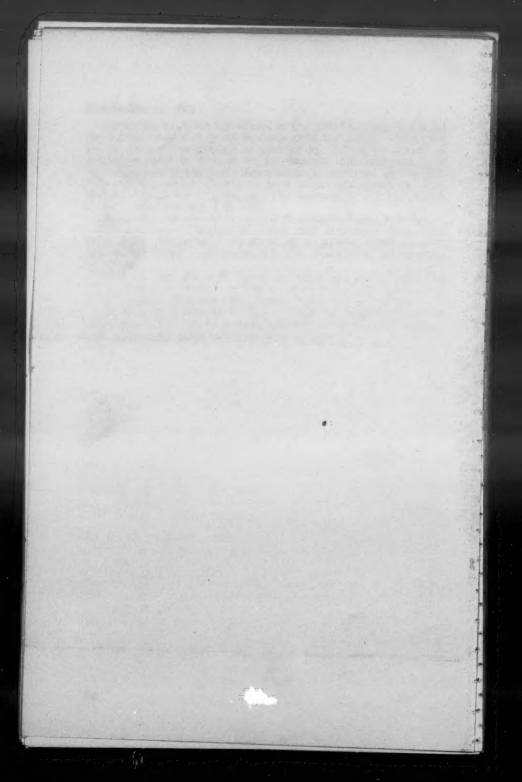
Other bills introduced to amend the Davis-Bacon Act are: HR 890 Rep. Thomas M. Pelly and HR 3333 Rep. Don Magnuson. These bills are designed to extend application of the act to federal contracts for the demolition of existing

buildings.

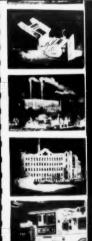
HR 4170 Rep. Peter F. Mack, Jr. This bill would make the act applicable to certain contracts under which a building is to be constructed or altered and leased to the United States.

HR 5869 Rep. George P. Miller. This bill would extend the provisions of the act to certain contracts to provide services. No action has been taken on these proposals.





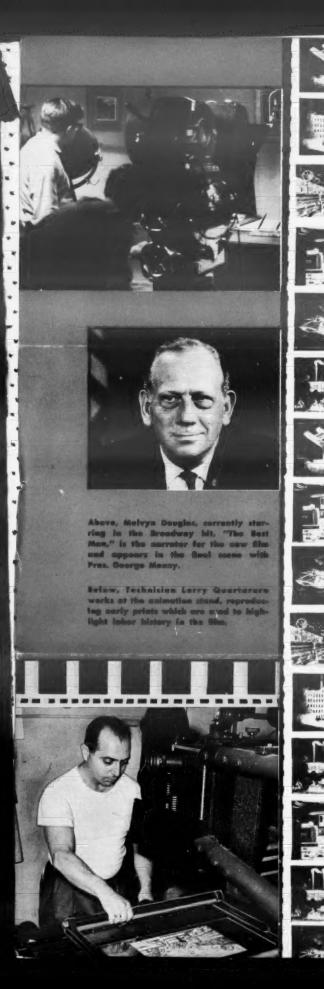




LAND OF PROMISE

Narrated By MELVYN DOUGLAS

AN AFL-CIO 30-MINUTE DOCUMENTARY
FILM FOR LOCAL UNION AND COMMUNITY
USE-AND ADDITIONAL TV SHOWINGS.





The film features AFL-CIO President George Meany emphasizing many problems which our country must still solve.

AFL-CIO Releases New Film for Union and Community Use

"Land of Promise," the new AFL-CIO 16 mm sound film, which was shown on more than 100 TV stations over Labor Day weekend, is now released for general educational use.

Affiliates may purchase the film from the AFL-CIO Education Department for \$95.00. Others may purchase it for \$175.00. It may be rented from the AFL-CIO Education Department for \$3.00 per showing.

The film has been highly praised as a public service film by "Variety," a show weekly, and has received generally good comments from TV columnists. It will be especially useful for showing in local unions and will be excellent for use in high school classes to acquaint teenage students

with the contributions of the American labor movement to American democracy.

"Land of Promise" deals with American life and history and labor's role in both. Historical sequences highlight the struggle for national freedom in 1776, the American Revolution, followed in less than a century by the industrial revolution which effected profound changes upon the daily lives of people.

The westward drive of the new nation, the tragedy and bitterness of the Civil War, the flood of immigration at the turn of the century, the opulence of the jazz age, the

ADDITIONAL TV SHOWINGS

The AFL-CIO Public Relations Department is anxious to work with the AFL-CIO affiliates on arranging additional TV showings for the film, "Land of Promise." Although the film was shown on more than 100 TV stations over Labor Day weekend, groups interested in getting it used on local TV stations are urged to write to Albert Zack, Public Relations Director, AFL-CIO, 815 Sixteenth Street, N.W., Washington 6, D. C., for help in planning a local TV showing. In many cases it will be possible to get public service time for such showing.

crushing despair of the depression are all set forth in words and pictures.

Woven through all of this is the story of the labor movement—how workers fought for old-age pensions, better schools, safety regulations, workmen's compensation and other measures that benefit all Americans.

Throughout the film runs the chorus of "This Land is Your Land":

"This land is your land,

This land is my land,

From California to the New York island,

From the redwood forest to the Gulf Stream water, This land was made for you and me."

And, as the film points out, even the motorist caught in a Labor Day traffic jam can blame the labor movement—first, because so many Americans can own cars, and second, because they have the days off to drive them.

In "Land of Promise," there is recognition, too, that many problems remain to be solved. These are spotlighted in a brief sequence by AFL-CIO President George Meany.

The film was produced in New York City by Joel O'Brien Productions.

The AFL-CIO Education Department is preparing a discussion guide for use with this film.





Above are pictured the Turriers, Ronny Gilbert and Jee Glazer, URW education director, who are featured in special music in the film. Two members of the production staff give Melvyn Douglas and AFL-CIO President George Meany their final instructions before the sequence is abot.

Pictured below are the preduction personnel of AFL-CIO's new film (left to right): Logan English, musical director; Sheldon Stark, author of the film; Bill Buckley, director; Mark Starr, labor educator; Morris Novik, AFL-CIO radio and TV consultant and Al Zack, AFL-CIO public relations director.



"Yes, we have come far—and we still have a lot farther to go. . . .

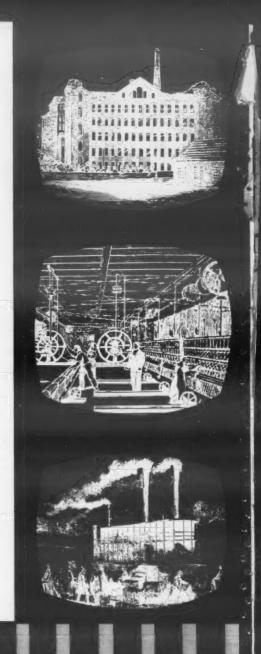
"America wouldn't be America if we had ever stopped on the way. The United States is the leader of the Free World. People everywhere look to us for assistance and for inspiration. If we are to lead and we must, we can't do it by patting ourselves on the back. We can't be satisfied with what we've done. That page is over. It's written in history.

"We have to make new history. We have to uphold what is good, wipe out that which is bad and replace it with something much better.

"And America can do it. We have the resources and the know-how. And we have the hands, too—the hands of workers—united as workers, united as Americans, working to build a better future—a future brighter, better and richer than ever for all Americans."

GEORGE MEANY, President. AFL-CIO (From the soundtrack of "Land of Promise")

ORDER NOW!



To Rent "LAND OF PROMISE" write to AFL-CIO Film Division, 815 Sixteenth Street, N.W Washington 6, D. C. Rental for this film is \$3.00 per showing. List dates you would like to show this film:	To Purchase "LAND OF PROMISE" write to AFL-CIO Education Department, 815 Sixteenth Street, N.W., Washington 6, D. C. Purchase price is \$95 per print for AFL-CIO affiliates and Educational Libraries. \$175 for others.		
1st choice	☐ I wish to purchase film		
2nd choice	☐ I wish to preview film for possible purchase.		
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by Andrew J. Biemiller

Two years of frustration. These four words summarize the record of the 86th Congress.

Of the major legislation pressed by liberals, six -old-age medical care under the social security system, minimum wage improvements, aid to education, assistance for depressed areas, expansion of federal housing programs and relaxation of job-site picketing restrictions—all suffered total defeat.

Two others-strong, workable civil rights guarantees and a second housing bill-were drastically weakened before enactment.

And in addition, the labor movement and the rights of all workers suffered a crippling blow with the adoption of the Landrum-Griffin Act.

How did this happen?

Following the sweeping Democratic victories in the 1958 elections, hopes were high for a comparable increase in the liberalism of Congress. These hopes were unrealistic, despite a Democratic majority in the new House of 283 to 152.

Three factors conspired to shatter the liberals' hopes and defeat their program.

First was the large bloc of conservative southern Democrats within the party's paper majority. There was a time when many southern Democrats voted solidly with the liberals on economic issues, if not on civil rights. But since the Supreme Court school desegregation decision of 1954 the lines have hardened.

The vast upsurge in the political power of the "states' rights" group has made liberalism a luxury, and possibly a fatal one, for southern politicians. Only 13 of the 99 southern Democrats voted against Landrum-Griffin in the House, for example. On this and other issues most southerners made common cause with the Republicans.

The second factor was a conservative President in the White House. The President—any President—has great political power. Through his control of patronage and public works, he can exert heavy pressure upon members of Congress of both parties. He has easy access to the press, radio and television, and can thus reach millions of citizens quickly and

And above all he has the power of veto, which

ANDREW J. BIEMILLER, director of the AFL-CIO Department of Legislation, is a former liberal member of Congress.

means—as President Eisenhower himself put it—that he needs only "one-third plus one" of the votes in either house to block any bill. Because Congress is well aware of this power, the threat of veto can force modifications in legislation even before it comes to a

RECORD

The President made full use of his positive powers in bringing about passage of Landrum-Griffin in 1959. Aside from his nationwide broadcast in support of the bill, he moved through the Vice President and the Attorney-General to line up the liberal House Republicans. Only 17 had the courage to withstand this presure and vote "no."

But even these two factors were not enough to guarantee total defeat for liberal legislation. The coalition of Republicans and southern Democrats could not be sure of a majority on every issue. The floor result was invariably decided by a small group of congressmen whose position in the political spectrum defies adequate description.

In the few cases where there were liberal victories on the floor the third factor came into play—the complete control by the coalition of the machinery of the House, in particular the Rules Committee.

This committee has 12 members—eight from the majority party (the Democrats) and four from the minority.

As on all committees, membership depends to a large degree upon seniority. As a practical matter, the Rules Committee division was six to six-six liberal or moderate Democrats on one side, four Republicans and two stone-age southern Democrats on the other.

The chairman, Representative Howard Worth Smith, is a Virginia Democrat with 29 years' seniority and a full mastery of the wiles of politics. Smith's skillful use of his powers under the House rules has often, in past years, frustrated a majority of his own committee. This time he had little need for guile, for he had the votes of Representative William Colmer of Mississippi and the four Republicans.

For all practical purposes, the Rules Committee decides what bills will reach the floor of the House for action, and under what terms they will be considered. A measure may be unanimously approved by the Education and Labor Committee, for example; it must still run the gantlet of Rules. If it emerges at all, it may be saddled with unfavorable regulations. As a case in point, the wage-hour bill was pried loose only with the proviso that a feeble substitute bill be offered in its place.

Since seven votes are needed to report a bill, and since only six could be mustered by the liberals, it is a wonder that any good legislation reached the floor. There are ways to circumvent the Rules Committee, but they are so complex and unwieldy that they cannot be generally invoked.

The difficulties of the Senate rules, primarily the freedom to filibuster, are more widely known. While they, too, badly need change, it must be acknowledged that on balance they were the lesser evil.

Here, then, is the legislative obituary record for the 86th Congress:

Medical care for social security beneficiaries: Smothered by the coalition in the House Ways and Means Committee and slain by the same forces on the floor of the Senate.

This was the Forand bill, which in the Senate became the Anderson-Kennedy amendment. It would have added hospitalization, nursing home care, home nursing and diagnostic services to the social security system. Congress chose instead to provide such benefits for persons not eligible for social security—worthy enough in itself, but shockingly neglectful of the bulk of the nation's aged.

Extension of wage-hour coverage and establishment of a \$1.25 federal minimum: Gutted and ultimately done to death by the coalition forces in the House.

The Kennedy-Morse-Roosevelt bill would have brought millions of additional workers under the protection of the law and would have raised the wage floor to \$1.25 an hour. The bill did emerge from the Rules Committee, but Smith and the House Republican leader, Charles Halleck, succeeded in their preconceived plan to ram through the coalition substitute, the Kitchin-Ayres bill. This would have set a \$1.15 minimum for presently-covered workers and only \$1 for the mere 1.5 million newly covered.

In the Senate, with John F. Kennedy serving as floor manager, a satisfactory bill was passed. But House members of the subsequent conference committee were mostly Dixiecrats and Republicans; they spurned all compromises, insisting on the House bill or nothing. All things considered, "nothing" was a better choice; and nothing it was.

Federal aid to education: Assassinated by the House Rules Committee, virtually single-handed.

After years of effort, both houses passed federal aid to education bills. The Senate's McNamara-Clark-Monroney measure offered \$1.9 billion over two years for classroom construction and higher teachers' salaries. The Thompson bill in the House proposed \$1.3 billion over four years for classrooms alone. A House-passed bill that the Senate has amended can go automatically to conference only by unanimous consent. There was objection, so the decision fell upon the Rules Committee. Even one moderate Democrat defected; the vote was 7-to-5 against permitting a conference. Thus seven men overruled a majority of both houses of Congress.

Aid to depressed areas: Stricken down by the President after heroically escaping the Rules Committee noose.

The Douglas-Cooper-Spence area redevelopment bill passed the Senate early in 1959 and was approved with some changes by the House Banking and Currency Committee in May of that year. It languished in the Rules Committee until mid-1960. Finally the rarely-used and difficult Calendar Wednesday procedure (one of the two ways to bypass the Rules Committee) was invoked. The coalition forced nine procedural roll-calls, consuming nearly six hours, before

debate could even begin. Nevertheless the bill was passed, only to be vetoed; the President had many more than "one-third plus one" Senate votes to sustain him.

Expansion of urban renewal and other public housing programs: Maimed by presidential vetoes in 1959; dispatched by the Rules Committee in 1960.

In 1959 both houses passed the Sparkman-Rains bill to meet the problems of urban decay through expanded urban renewal and public housing projects, to stimulate the lagging private housing industry, to relieve the shortage of college housing and generally to attack the nation's housing deficiencies. The President vetoed it. A second, greatly moderated bill, was passed; this, too, was vetoed. Finally a still weaker bill, the limit of what the President would accept, became law. This year the liberals renewed their efforts. The Senate passed an acceptable measure; the Rules Committee refused to release the House version.

Releasation of job-site picketing restrictions: Talked to death in the Senate Labor Committee; throttled by the House Rules Committee.

The Kennedy-Thompson bill to restore to building trades unions the right to picket multi-employer construction sites was supported by the President as well as by the AFL-CIO and congressional liberals. It was favorably reported by the House Labor Committee, but perished in the Rules Committee. An unusual kind of filibuster—within a committee rather than on the floor—was conducted by the Senate Republican leader, Everett McKinley Dirksen, and by Senator Barry Goldwater (R-Ariz.) to prevent action by the Senate Labor Committee.

Civil rights: Badly maimed by the coalition in the House; crippled by filibuster in the Senate.

Republican-Dixiecrat domination of the House Judiciary Committee squeezed much of the strength from the effort to establish broad federal protection for civil rights. The bill it ultimately produced was released by the Rules Committee with the proviso that no strengthening amendments could be offered from the floor. In the Senate, an eight-week southern filibuster forced limitation of the program to little more than increased protection of the right to vote.

This is what happened and how it happened. It is a sorry record. It is a record that poses a challenge to the 87th Congress, and to the American people.

Whether the record of the next two years is a better one depends upon three events:

- Election of John F. Kennedy as President. Even in the 86th Congress as it was, the above measures would have become law with presidential support instead of presidential opposition.
- Election of more liberals, both Democrats and Republicans, to Congress, so as to weaken the power of the reactionary coalition.
- Changes in the rules of both houses so that a few obstinate diehards—as few as six—cannot block the will of the congressional majority.

Will these events take place? The decision will be made on November 8.

Reprinted from the AFL-CIO American Federationist
October, 1960

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS 815 16th Street, N. W. Washington 6, D. C.

GEORGE MEANY
President

WM. F. SCHNITZLER Secretary-Treasurer





The Murray-Green Award

... for Community Service

Purpose

The Murray-Green Award, established in 1956 by the AFL-CIO Executive Council, has a three-fold purpose:

TO RECOGNIZE outstanding contributions made by individuals and organizations, in this country and abroad, that have improved the health, welfare, and recreation of people everywhere.

TO STIMULATE and encourage leadership in the field of social welfare.

TO HONOR the memory of two American labor leaders and the traditions of service exemplified by their lives.

The Award

The Murray-Green Award, presented annually, consists of a \$5000 grant and an appropriately inscribed medallion.

The cash grant must be designated for a specific activity in the field of community welfare jointly agreed upon by the AFL-CIO Community Service Committee and the Award recipient.

Nominations

The AFL-CIO Community Services Committee invites nominations for the Award from all AFL-CIO affiliates and their members and from persons engaged in the social welfare field.

Nominations should be received during the first four months of each year and should be addressed to:

AFL-CIO COMMUNITY SERVICE ACTIVITIES
9 East 40th Street

New York 16, New York

Mrs. Agnes E. Meyer-1960

Mrs. Agnes E. Meyer, author and lecturer in the fields of education and social welfare, was voted the Murray-Green Award for 1960. The Award was made "in recognition of her lifetime devotion to the causes of sound community organization, health, welfare and education."

Harry S. Truman - 1959

Recipient of the Murray-Green Award in 1959 was former President Harry S. Truman for his "outstanding contributions to the health and welfare of all Americans and people everywhere during his years in the White House as well as during the years of his active retirement."

1947-1958

The Murray-Green Award is an outgrowth of the Philip Murray Award which has been presented to the following recipients:

General Omar N. Bradley (1947) Senator Robert F. Wagner (1948) Senator James E. Murray (1951)

1953

Oscar R. Ewing
Robert H. MacRae
Wilbur F. Maxwell
United Nations Children's Emergency Fund
United Automobile Workers
The Menninger Foundation (1954)
Eleanor Roosevelt (1955)
Herbert H. Lehman (1956)
Dr. Jonas E. Salk (1957)
Bob Hope (1958)



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JOSEPH A. BEIRNE Chairman

LEO PERLIS
Director

ROBERT A. ROSEKRANS Assistant Director



Nine Good Reasons for the Forand Bill

(N. R. 4700)

- 1 Most older persons would benefit from the Forand bill, which would pay the costs of 60 days of hospital care, additional skilled nursing care, and surgical benefits.
 - A. Thirteen million men and women would get lifetime protection all those eligible for old-age benefits under social security. The railroad unions want Railroad Retirement beneficiaries to be included too.
 - B. Old people not entitled to old-age benefits, if they have to turn to public assistance, would be helped indirectly. Since a smaller number would be forced to seek such aid, each one could be given more adequate assistance from the limited funds available to welfare agencies.
- 2. Young workers would also gain.
 - A. Their aged parents would be protected at once they and their families would have similar protection on retirement or if the wage-earner dies leaving young children.
 - B. The most any employed person would have to contribute in the early years would be \$1 a month or 23c a week ($\frac{1}{4}$ % of earnings up to \$4,800). For farmers and other self-employed people, the maximum contribution would be 35c a week.
- 3. Few persons over age 65 have or can afford good health insurance protection through any other means.
 - A. Only 2 out of 5 have any such protection according to the latest government figures.
 - B. Much of that is inadequate. It can be cancelled; it has lifetime ceilings; it is very costly.
 - C. The best-known policies cost \$6.50 or \$8.50 a month per person and pay only part, perhaps not even half, of hospital costs for up to only 31 days.
- 4. Claims that voluntary insurance will grow rapidly are unscientific propaganda.
 - A. No figures have been released to support assertions that special policies for the aged are selling well.
 - B. Claims that a much higher proportion of older people will be covered in five years have no substance. They (1) include almost worthless plans; (2) add alleged gains since 1957, still unproved; (3) disregard serious obstacles to continued purchase and growth.
- 5. The Forand bill would strengthen welfare agencies, hospitals and Blue Cross.
 - A. It would relieve them of the high-cost load of the aged. Many hospitals have large and growing deficits. Blue Cross keeps raising rates, partly because it includes retired people without charging them more than the community rate. As a result, Blue Cross is increasingly threatened by competition from commercial insurance.
 - B. Public welfare agencies now spend \$300 million a year for health care for the aged. In many communities a large part of all old-age assistance costs are for medical care, which is an ever-growing burden.

C. A dependable system of financing health costs of the aged, such as would be provided through the social security system, would help these community agencies to improve and extend their services. High-quality, skilled nursing homes would be assured of revenues. A speedy return to independence and home care could be stressed.

D. The cost would be moderate.

A. The cost would be only about \$1 billion the first year, according to the Secretary of Health, Education, and Welfare. The higher estimate used by the insurance industry and its doctor allies reflects the expensive practices of commercial insurance and is highly exaggerated, as a government report shows (Hospitalization Insurance for OASDI Beneficiaries, page 85).

The new benefits can be financed on a sound basis, through the social security payroll tax, but without endangering present cash benefits. Even the long range cost estimate of the Secretary of Health, Education, and Welfare is only 4/5 of 1% of taxable payrolls. Insurance through the social security system is the best insurance buy available, and people who have retired would not have to pay anything.

8. The Forand bill follows our established patterns for paying the costs of health care.

A. It does not involve "political medicine" or "socialized medicine" as some officials of medical societies claim. They used similar unfounded slogans against medical care for dependents of servicemen, workmen's compensation, Blue Cross and Blue Shield plans, disability benefits, federal grants to local health agencies, and many other worthy programs.

B. The well-known and conservative Washington Post supports the Forand bill approach in an editorial of February 20, 1960, which says in part:

"That the American Medical Association would offer its usual doctrinaire opposition to this proposal was as much to be expected as a bill from a doctor after a visit to his office. Senator McNamara has observed that the AMA had 'nothing to offer but tired abuse.' This is not, by the wildest flight of the most neurotic fancy, 'socialized medicine' or 'political medicine.' It is simply a system, if the AMA could but calm its nerves enough to realize it, which, like Blue Cross or Group Hospitalization or any other insurance program, would enable a patient to go to the doctor and the hospital of his choice and pay the bills resulting from the care he needs in old age. It would help doctors, hospitals and medicine in general. And it would enable American men and women to retire in their old age with more security and self-respect."

C. The bill would protect the public from excessive charges by the small minority of doctors, hospitals and nursing homes who let business motives dominate their medical activities.

9. Persons most familiar with social security operations and the health needs of the aged support the approach of the Forand bill.

A. Among them are the American Public Welfare Association, American Nurses' Association, and the National Association of Social Workers; also two men who have headed the Social Security Administration: Arthur Altmeyer and Charles I. Schottland.

Prepared by Department of Social Security
American Federation of Labor and Congress of Industrial Organizations
815—16th Street, N. W., Washington 6, D. C.
March 1, 1960

Printed in U.S.A.

NINE STEPS TO A STRONG AND ACTIVE UNION

Now is the time to begin your union's educational program. There is always something that the educational committee can do to make your members aware of the importance of the union. If you are interested but don't know where to begin, look over these suggestions.

- Establish a three to five member educational committee with authority to begin programs after checking plans with the executive board.
- 2. Check with the membership. Find out what they are interested in.
- 3. Conduct simple but varied programs. For example:

A speech by a local lawyer covering workmen's compensation.

A film on the AFL-CIO merger convention from the AFL-CIO Education Department.

A debate on federal aid to education.

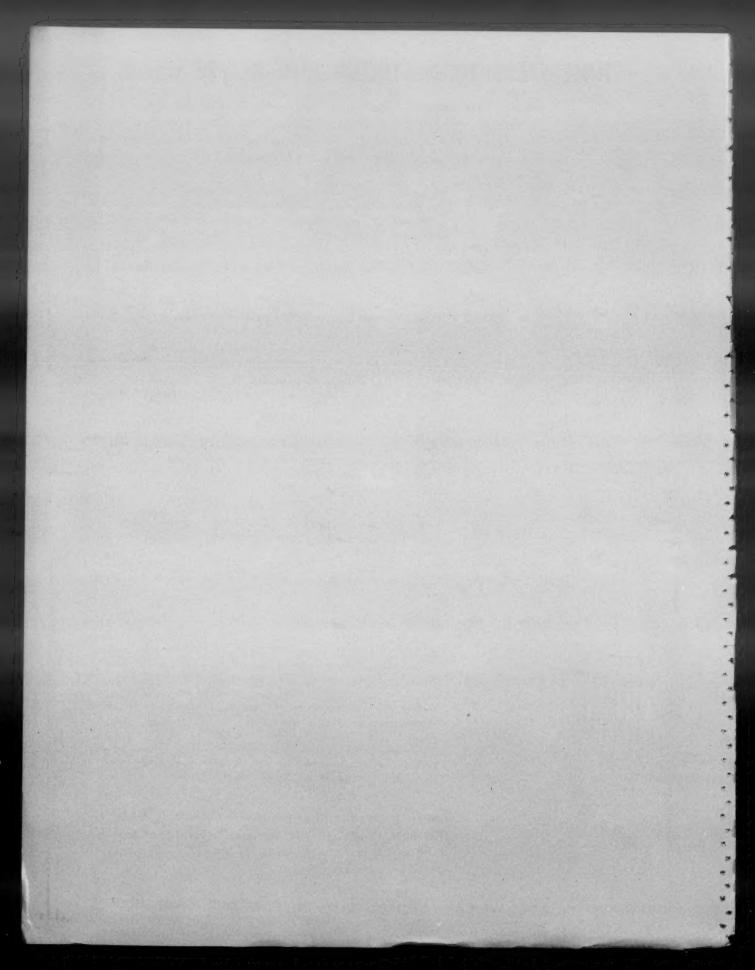
A discussion of social security benefits by a representative of Social Security Administration.

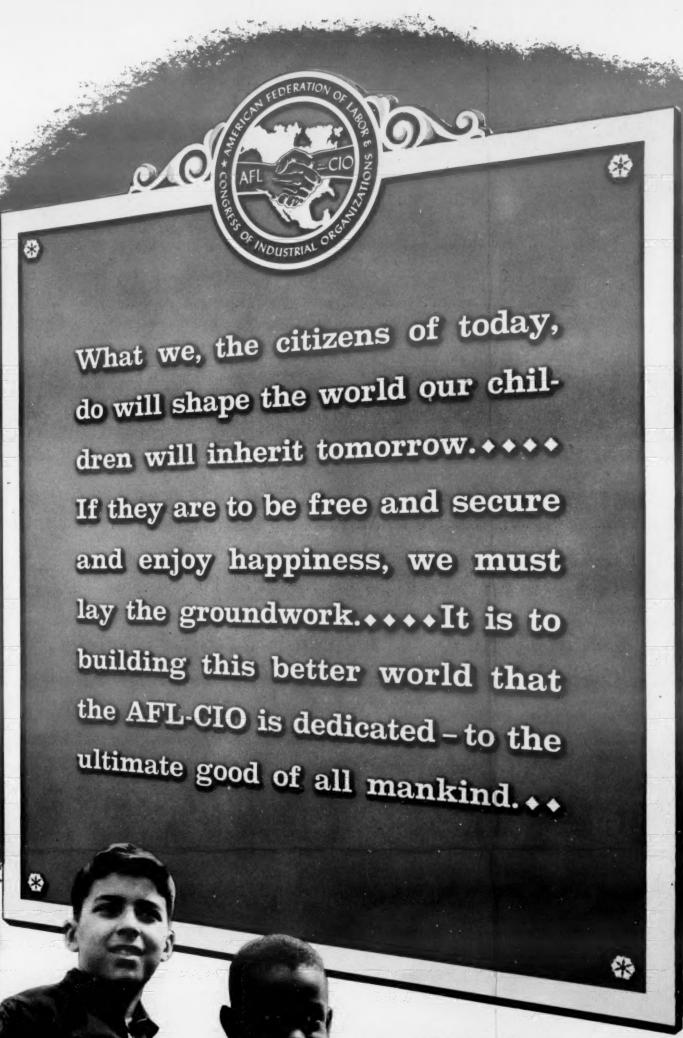
- Place officers and committeemen on national and state AFL-CIO mailing lists. Subscribe to AFL-CIO "Education News and Views," "Labor's Economic Review," the "AFL-CIO News," and your state AFL-CIO publication.
- 5. Prepare a one-day program only for Stewards and Committeemen. They are the backbone of your union and can keep your members informed.
- 6 Publish a regular bulletin, even if it's only one-page, for your members.
- Include political education as part of your program. Collective bargaining and politics are inseparable. Write to COPE for a packet of materials which will help you develop this program.
- Don't forget the women. They spend 90% of our incomes. Invite them to attend a combined educational-social program. Involve them in the work of your local. They are important "communicators" in the community.
- P. Encourage participation by the officers and members of your local in community and civic affairs. An active public relations committee can be of invaluable assistance.

Adapted from the Texas State AFL-CIO.

Check with your international union, state body, central body and AFL-CIO Education Department, 815 16th St., N.W., Washington, D. C. for suggestions.







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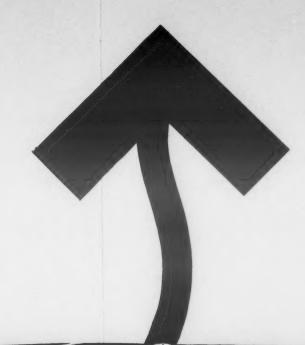
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"LET THEM (WORKERS) BEWARE OF SURRENDERING A POLITICAL POWER WHICH THEY ALREADY POSSESS AND WHICH, IF SURRENDERED, WILL SURELY BE USED TO CLOSE THE DOOR OF ADVANCEMENT AGAINST SUCH AS THEY, AND TO FIX NEW DISABILITIES AND BURDENS UPON THEM, 'TILL ALL OF LIBERTY SHALL BE LOST."

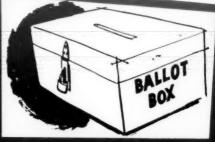












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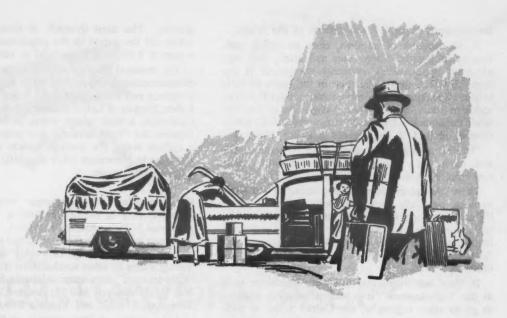
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Right-to-Work' Laws Hamper South's Industrial Growth

by Milton J. Nadworny

Reports from the southeastern states that lack of skilled workers is proving an important factor in slowing industrialization of these states may well be timely warning on the future expansion of this region. It indicates that a basic reorientation of economic philosophy is required to match the higher wages and healthier labor-management policies of the rapidly-growing industrial states, such as California, with which the South is competing for industrial development.

In North Carolina the state has begun a costly technical training program. William R. Henderson, administrator of the state's industrial recruiting office, said recently, "We've lost many industries because of the lack of skilled labor." However, if these workers, when trained, join the migration to other states where they can obtain higher wages and more favorable working conditions, then this effort is wasted since it does not get at the roots of the problem.

Some major industrial firms seeking new locations have passed up the southern states, while many of those which have located there are being hampered in their operations by an increasingly acute shortage of skilled labor. There is preponderant evidence that

(1) needed workers have migrated from the South to industrial areas where employment opportunities are much more attractive, and (2) replacements are not being attracted into the region by existing conditions of employment.

For a number of years the southeastern states have sought to induce industry to locate within their borders by maintaining a low wage economy. The basis of this philosophy has been that industries could increase their profits by manufacturing products under a low wage structure and sell at high prices in other areas of the nation where consumer purchasing power was bolstered by higher wages.

At the same time, there was an attempt to perpetuate this low wage economy through the enactment of restrictive anti-labor legislation, typified by the so-called "right-to-work" laws, whose aim is to weaken existing unions and to make it more difficult to organize effective labor organizations. The presence of strong labor unions is ordinarily equated with relatively high wages.

The important question which the southern states, individually and collectively, must now consider is whether, in fact, this economic philosophy has proved to be short-sighted, and is actually working against

MILTON J. NADWORNY is an associate professor of commerce and economics at the University of Vermont. the industrial expansion and growth of the South.

If the workers of an area, state or region continually migrate to other states and areas, then employment opportunities obviously are greater in the states to which they move than in the states of their origin. Speaking of this movement, much of it from southern states, in his paper, "Migration of the Nation's Population—Its Size, Nature and Causes," Ewan Clague, of the U.S. Department of Labor, stated:

"During a single year, more than 10 million persons move. . . . The search for better employment opportunities is a major force behind this migration."

These "better employment opportunities" to most workers, especially those with skills, ordinarily mean higher wages and the right of membership in strong and responsible trade unions whose right of collective bargaining with management is not restricted by "right-to-work" laws and anti-labor community attitudes.

If, then, low wages and anti-labor legislation such as the "right-to-work" laws are encouraging workers to go to other regions of the United States to seek better employment opportunities and work conditions, does it not behoove the southern states, if only from the standpoint of self-interest, to repeal their anti-labor "right-to-work" laws? Does it not benefit them to institute a "business climate" that will induce both industry and skilled labor to settle within the borders of these states, with resultant heightened prosperity for all concerned?

The outward flow of workers from the southern states might well arouse the concern of all in this region who are interested in its future development. Using Census Bureau reports for a single year as an illustration, Clague underlined the importance of this problem as follows:

"Between April 1953 and April 1954, 10 million persons moved their place of residence from one county to another. Five million of these persons moved to a different state. About half of the interstate migration represented a movement from one of the four major geographic regions to another.

"The largest outflow was from the predominantly agricultural South. More than a million persons moved from the southern states to states in other regions. About 650,000 persons left states in the North Central regions for other parts of the country. In the interchange of residents, the South attracted a substantial number, but on the balance lost 400,000 persons. The West, on the other hand, gained about 275,000 persons, and the North Central states about 175,000. . . .

"It is fair to say that job-changing was the most important influence affecting this movement, particularly the shifts from one state to another."

In seeking the reasons for the continuing exodus of members of the labor force from the Southeast, it is pertinent to examine the disparity in the wage levels of the states of this region and states elsewhere which are enjoying rapid industrial and population growth. The most dynamic of these is California, which led the nation in the population increase with a gain of 3,698,000 from 1950 to July 1, 1958.

The national average weekly wage of workers in manufacturing in November 1959 was \$88.98 (Employment and Earnings, United States Department of Labor, Bureau of Labor Statistics, January 1960). In California, a state where voters in November 1958 rejected the "right-to-work" law proposal by almost a million votes, the average weekly wage in manufacturing in November 1959 was \$101.63, well above the national average.

By comparison, the average weekly wage in manufacturing in North Carolina, a "right-to-work" state, was \$62.93. Without exception, the states of the Southeast year after year continue to remain well below the national average of weekly wages. Average weekly wages in other southeastern states which have "right-to-work" laws were: Alabama \$71.37; Georgia \$63.76; Mississippi \$60.35; South Carolina \$62.88; Tennessee \$72.32; and Virginia \$69.60.

As a matter of fact, average weekly earnings in manufacturing in these "right-to-work" states was about \$14 below the national average in 1950: by November 1959, the differential was almost \$22 per week (Employment and Earnings, June 1956, and January 1960).

"Right-to-work" advocates have been proved wrong on another count, namely, that such laws would curtail strikes. Indeed, the contrary has proved true in states which have embraced these laws. Instead of promoting industrial peace, as promised, such legislation has increased industrial strife.

The study of the effect of "right-to-work" laws in 11 states, including the Southeast, by Daniel H. Pollitt, associate professor of law at the University of North Carolina (Right to Work Law Issues: An Evidentiary Approach), shows that work stoppages in these "right-to-work" areas from 1947 through 1954 increased relative to the nation as a whole.

There are other factors which contribute to the migration of workers from one region to another. The New England states have suffered losses from these contributory factors. Nevertheless, basic causes for the great migratory movement from the Southeast appear to be centered in the philosophy of low wages and restrictive legislation which tends to perpetuate a substandard economy.

The subject is under intensive study in Vermont and other states of the New England region because of proposals to enact "right-to-work" laws there. There is little doubt that such legislation would cause a serious weakening of the New England economy.

It takes time for economic movements to crystallize and for the general public to become clearly aware of them. In this year of a national election, the continued flight of workers to regions with superior job opportunities suggests that if workers' economic "votes" can be counted, the southeastern states, and, indeed, the total group of "right-to-work" states, may well be losing an important election.



On a hot August afternoon in the small Indiana farm community of Rennselaer, a capacity crowd of shirt-sleeved Hoosiers jammed an exhibit tent at the Tippecanoe County fair and watched with rapt attention as two barnyard hens swatted home runs on a miniature baseball diamond and then pushed a button with their beaks that lighted a sign saying "Thank you."

"I'll be dogged," a farmer exclaimed to the throng, "everybody knows you can't train a chicken to act!"

The reaction was typical of thousands of farmers who had gone to the annual agricultural fair from miles around to observe chickens playing baseball.

For a week, Hoosier farmers had packed the exhibit of the Indiana Council for Industrial Peace and watched incredulously as "Casey," a white Leghorn performing hen of television fame, strutted from a cage to home plate, gave a hearty tug to a cord with her beak and smacked a rubber ball into the outfield with a toy bat. After "Casey" scored a home run, the second hen, "Biddy," offered the farmers a card bearing the message, "Souvenir from Biddy, County Fair, 1960," and then pressed a button with her beak lighting a sign which said "Thank you."

As the crowds watched in amazement, young women attendants in trim white shorts and sleeveless blouses handed the farmers and their wives leaflets explaining the injustices of Indiana's so-called "right-to-work"

A sign over the booth read: "Learn How So-Called Right-to-Work Cuts Farm Profits."

The printed brochures bore such titles as "Is the So-Called 'Right-to-Work' Law a Threat to Farmers?." "A Working Farmer-Editor Tells Why Right-to-Work Laws Will Hurt Every Farmer Everywhere," "Why So Many Faiths See Evil in Right-to-Work Laws," and "America Votes 'NO' on So-Called Right-to-Work Laws."

The trained chicken acts and the pretty booth attendants were the "crowd stoppers" of an exhibit sponsored by a representative group of Indiana's business, professional and church leaders who believe the 1957 anti-collective bargaining law is harmful to Indiana's economic and general welfare, and who seek public support for its repeal.

The leaflets urged farmers to vote in the November election for a state administration and legislature that would take positive action to repeal the law.

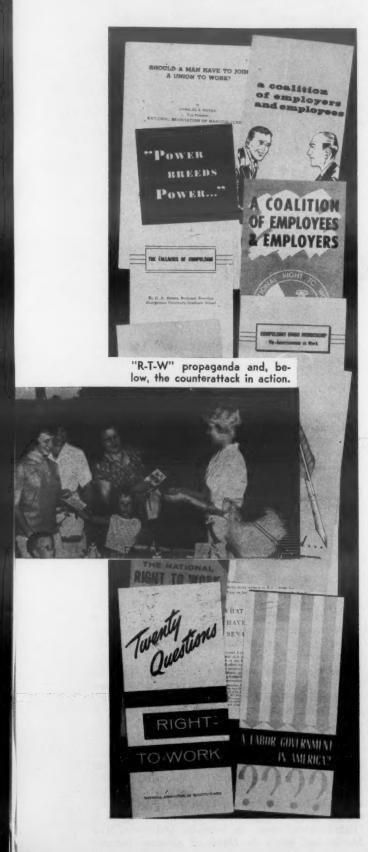
Indiana's Tippecanoe County fair was not an isolated instance in which public revulsion against the discriminatory and fraudulent "right-to-work" law was creating a stir in the late summer of 1960.

At the Kent-Sussex County fair in Harrington, Del., on "Governor's Day," former Governor Elbert N. Carvel, a leading farmer and businessman and this year's Democratic nominee for governor, led a public demonstration against the so-called "right-to-work" law proposal.

The Democratic nominee's companions included Governor J. Caleb Boggs, U.S. Senator J. Allen Freer, Representative Harris B. McDowell, Lieutenant Governor David Buckson, President Pro Tem Allen J. Cook of the State Senate and Speaker of the House Sherman Tribbits.

The Indiana and Delaware displays against the anticollective bargaining legislation were being repeated in one form or another in a half dozen other states across the nation in August and September at county and state fairs. In Kansas, Utah and Iowa, publicspirited groups sought voter support for repeal of "right-to-work" laws. In Vermont, Oklahoma, New Mexico and Idaho the efforts of volunteer citizens'

JOSEPH A. BEIRNE, an AFL-CIO vice president, is chair-man of the Special Subcommittee on "Right-To-Work" Laws which was created by the AFL-CIO Executive Committee.



organizations were aimed at countering propaganda by the highly-organized, well-financed "right-to-work" movement seeking to pressure state legislatures into passing laws abridging the freedoms of wage earners.

The "right-to-work" law was thrust dramatically into the national political arena as an issue between the two major parties by action of the Democratic and Republican conventions in adopting their national platforms.

The Democratic party made an unequivocal pledge to do away with all state "right-to-work" laws by congressional repeal of Section 14(b) of the Taft-Hartley Act.

This is the section of the Labor-Management Act of 1947—which was sponsored and passed by a Republican-controlled Congress—that has permitted individual states to pass legislation outlawing voluntary union security agreements between management and labor in outright contradiction of long-established federal labor-management policy.

The collective bargaining plank of the Democratic party stated:

"We will repeal the authorization for 'right-to-work' laws, limitations on the right to strike, to picket peacefully and to tell the public the facts of a labor dispute, and other anti-labor features of the Taft-Hartley Act and the 1959 act. This unequivocal pledge for the repeal of the anti-labor and restrictive provisions of those laws will encourage collective bargaining and strengthen and support the free and honest labor movement."

In direct contrast, the Republican platform supported "right-to-work" laws by pledging "diligent administration" of the Taft-Hartley Act, including Section 14(b).

The GOP anti-labor stand was taken despite repeated reminders by the Republican National Committee that the party's defeat in the 1958 elections was due largely to its support of "right-to-work" laws.

The national aspect of "right-to-work" as an issue between the two parties in the 1960 election campaign was underscored by the positions of the two presidential nominees.

In post-convention statements, both pledged support of their party platforms.

Thus, the Democratic nominee, Senator John F. Kennedy, backed his party's pledge to repeal the federal authorization for the so-called "right-to-work" laws, while the Republican nominee, Vice President Richard M. Nixon, supported the Taft-Hartley Act, which through Section 14 (b) invites the states to approve the unjust and discriminating anti-labor legislation.

"Right-to-work" this year continues to be a clear-cut issue between the two parties in a number of states, notably Indiana, Kansas, Oklahoma, New Mexico and Iowa.

Where this obvious omission exists, groups of responsible, public-spirited citizens who are members of the National Council for Industrial Peace and its state affiliates have taken measures to set the record straight.

Vermont has provided a refreshing change from the viewpoint to which the GOP Old Guard still clings so tenaciously. In 1958 Representative William H. Meyer, the state's Democratic congressman-at-large, was almost the lone Vermont politician who cried out against the "right-to-work" law. But in 1959, after voters of five states rejected the proposal with majorities that ran as high as 1 million votes in California and Ohio, Republican Governor Robert T. Stafford came out against "right-to-work," and the legislature overwhelmingly defeated a "right-to-work" referendum proposal, with all Democratic members of the Assembly and most Republican members voting against it.

In striking contrast to Vermont, the "right-towork" issue between the Democratic and Republican parties has reached the boiling point in the industrial state of Indiana.

The Democratic party has unreservedly demanded immediate repeal of the 1957 law, while the Republicans, who passed the measure against strenuous opposition, not only oppose its removal from the statute books but seek to pass sterner legislation which in addition would outlaw the "agency shop," another form of union security which an Indiana Superior Court has held to be legal and fair.

The Indiana State Democratic Committee made this pledge in its 1960 platform:

"We are opposed to and recommend the repeal of the Compulsory Open Shop Law, and we pledge that we will oppose all punitive and restrictive labor legislation that interferes with the free and democratic bargaining agreements by and between representatives of the employes and employers."

And Matthew E. Welsh, the Democratic nominee for governor, voiced this promise:

"In my first address to the General Assembly when I am elected governor, I shall ask that the rules be suspended so that the first order of business can be repeal of the 'right-to-work' law. This law is a cancerous growth separating all segments of our society."

Members of Indiana's Democratic delegation in Congress individually have condemned this law and called for its repeal.

An indication of the widespread opposition of responsible citizens to the Indiana law was provided by a group of leading Methodist ministers. The ministerial group, headed by the Rev. Lynn Garth of South Bend, chairman of Christian Social Relations of the 1960 Northwest Indiana Annual Conference of the Methodist Church, denounced the law and urgently demanded its repeal.

"We believe that in the name of freedom the present 'right-to-work' law denies freedom, compelling, as it does, all of industry to observe the open shop, thus negating collective bargaining," the Methodist statement declared.

The churchmen said that identification of the organizations which supported passage of the "right-to-work" law is "significant in evaluating the true purpose of this legislation."

They listed the organizations as "the Indiana State Chamber of Commerce; the Associated Employers of Indiana; the Indiana Manufacturers Association; the Indianapolis Chamber of Commerce; and the Indiana Right-to-Work Committee, a group supported by industry contributions."

"These organizations are acknowledged as self-interest associations," the clergymen pointed out. "Their primary purpose is to work for the interests of the employer. However commendable their other programs for Indiana might be, it is improper to translate this self-interest to a guise of protecting the rights of workers."

The Indiana Council for Industrial Peace represents a broad cross-section of business, professional and church opinion demanding repeal of the law that in many instances has driven industries from Indiana to states where there are no so-called "right-to-work" laws

Despite this overwhelming public opinion against the anti-collective bargaining laws, and ample evidence that it has been injurious to the public interest, the Indiana Republican leadership has blindly and stubbornly continued to support it.

The Republican nominee for governor, Crawford Parker, has repeatedly declared that if elected he would veto any bill repealing the "right-to-work" law and support an effort to outlaw the agency shop.

The situation in Kansas is in many ways similar to that in Indiana. The Democratic Party and its candidates oppose the "right-to-work" amendment but many Republican candidates, backed by the Kansans for Right to Work, Inc., an offshoot of the so-called "National Right to Work Committee," principal "front" for the National Association of Manufacturers and U. S. Chamber of Commerce, have been the backers and sponsors of this anti-labor legislation.

The "right-to-work" amendment was passed in 1958 despite open opposition by Democratic Governor George Docking and Alf Landon, one-time Republican presidential nominee. Landon stumped the state in 1958 in opposition to the proposal.

John Anderson, Republican candidate for governor, drew the fire of the reactionary Kansans for Right to Work, Inc., last month because he, too, spoke out against the measure.

This well-heeled organization that draws financial support from the reactionary fringe of management launched a bitter attack against Anderson's support of the collective bargaining rights of working people in a newspaper advertising campaign that blanketed Kansas in advance of the state primary. Kansans for Right to Work, Inc., coupled their attack on Anderson with a demand for new anti-labor legislation to put teeth into the "right-to-work" amendment.

Kansas voters, however, gave Anderson a resound-

ing victory, providing new evidence of public revulsion to the anti-collective bargaining law.

Public demand for repeal of the "right-to-work" amendment is now being spearheaded by formation of a Kansas Council for Industrial Peace, whose membership includes many of the state's most responsible leaders of business, professional and church life.

The close link between the National Right-to-Work Committee and Kansans for Right to Work, Inc., has been demonstrated by two actions. The man who led the fight against Kansas working people in 1958 has become executive manager of the Washington committee. Also, in mid-August the present director of Kansans for the Right to Work, Inc., was named managing director of a new pressure group in Oklahoma called Oklahomans for the Right to Work, Inc.

As elsewhere, the Oklahoma "right-to-work" drive is closely identified with the Republican Party and executives of industries and corporations seeking to depress wages and destroy the collective bargaining process.

In New Mexico, the "right-to-work" proposal also is a major issue in this year's election, with the Democrats vigorously opposing the law and the Republicans embracing it.

Democratic Governor John Burroughs and the entire New Mexico delegation in Congress, all Democrats, are against the anti-labor law. Senator Dennis Chavez and Representatives Joseph M. Montoya and Thomas Morris have made public statements opposing it.

But the Republican nominee for governor, Edwin L. Mechem, who co-sponsored an unsuccessful "right-to-work" measure in the legislature, is an avowed proponent of the restrictive proposal. The Republican candidate for lieutenant-governor and the Republican seeking Senator Clinton Anderson's seat in the U. S. Senate also support the anti-labor law.

"Right-to-work" measures have twice been defeated in the legislature, and the proposal was resoundingly rejected by voters in the 1948 election.

Catholic Archbishop Edwin V. Byrne, of Santa Fe, and leaders of other religious faiths in New Mexico have denounced the law as "misleading and fallacious and harmful to the common good."

The rights of labor and management to exercise free collective bargaining are being defended by an active voluntary citizens' organization, the New Mexico Council for Industrial Peace.

In Utah, public opinion has been aroused by use of the "right-to-work" law to weaken some unions and to destroy others. Poorly-paid laundry workers no longer have any protection and must work for any wage they are offered. "Right-to-work" has been used to destroy their union. Membership of the culinary workers union has been reduced from 300 to less than 50, and the present wage scale has been in effect since 1955.

As a result, public opinion is now demanding repeal of the law when the legislature meets next year.

The issue follows the same lines as in most other states. The Democratic state platform pledges repeal of the law. But the Republican platform makes no mention of the law, obviously in the hope voters will forget it as an issue in November.

Likewise in Iowa and North Dakota there are increasing demands for repeal of the law. Here, too, "right-to-work" is an issue on party lines.

Since voters in the 1958 elections rejected "right-to-work" proposals by tremendous majorities, and with it the Republican backers, in Washington, California, Colorado, Ohio and Idaho, the "right-to-work" sponsors have not had the courage to face voter reaction again by placing the issue on the ballot of any state. Instead, backed by millions of dollars, they have pledged support to reactionary candidates for national and state office.

They seek to elect Republican majorities to state legislatures that will, in 1961 when voters no longer can express their views at the polls, pass this anti-labor legislation in some states and block its repeal in others; elect enough Republicans and states-righters to Congress to block affirmative action on the Democratic platform pledge to repeal the federal authorization for these laws; and by keeping "right-to-work" off the ballots this year, prevent it from causing a Democratic victory as it did in 1958.

If anything, the stakes in this year's presidential election are far greater than in 1958.

The outcome may well determine whether millions of working men and women are to continue to enjoy the fair wages, good working conditions and protection afforded by union security agreements under collective bargaining, or whether the forces of reaction that never desist in their destructive designs are to be permitted to nullify the freedom and future advancement of the American worker.

Reprinted from the AFL-CIO American Federationist October, 1960

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS 815 16th Street, N. W. Washington 6, D. C.

GEORGE MEANY
President

WM. F. SCHNITZLER Secretary-Treasurer



TABLE E

State Tax Collections by Source-1959 (as Percentage OF TOTAL REVENUE)

												•	1				
TOTAL (in million deliurs)	dellars)					Selective	live			Income	ncome Texes						
		Total	General	Motor	Tobacce	Alcaholic Beverages	Insurance	Public	Other	Individual	Corporate	Moter Vehicle Licenses	Property Texes	Severance Taxes	Corpora- tion Licenses	Death & Gift Texes	Osher
tumber of States Using Tax (a)	67	49	33	49	77	49	49	32	-	32	36	49	99	218	49	87	1
180	\$15,831	58.7%	23.3%	19.3%	4.3%	3.8%	3.5%	2.3%	2.3%	11.2%	6.2%	8.7%	3.6%	2.5%	2.3%	2.2%	4.6%
Johama	248	70.5	31.7	27.1	3.7	3.2	3.0	1.8	ei	12.2	2.8	1.7	5.2	9.	3.2	.3	3.5
Jeske	24	29.3	1	13.6	1.4	8.6	3.0	-	1	33.8	89.5	6.5		2.7	eń.	-	16.0
rizona	129	62.1	32.9	18.1	2.4	3.6	D; 6	2.6	9 0	7.0	7	8.6	17.1	1 **	4.4	eó a	22
nlifornia	1.813	63.4	35.0	17.6	6.0	2.3	5.9	9	2.1	0 60	9.0	6.5	6.3	0.0	Q	2.4	2.6
olorado	171	54.5	26.9	20.6		3.1	2.6		1.3	15.2	5.6	8.6	7.5	7	ল	2.8	4.8
onnecticut	219	70.5	32.0	20.5	4.7	3.1	5.3	3.7	1.2	1	12.5	5.8	* ;		۳ :	6.5	4.4
elaware.	8 E	24.7	17.5	34.9	2.7	2.7	2.3		5.0	39.7	7.6	5.7	2.4		14.3	-	6.5
anraia	338	77.3	39.5	23.8	5.3	4 81	2.8	2		8.7	6.3	4.6	. 69		4 4	اره ا	17
laho	57	37.5		24.0	1.4	3.0	4.0	1.5	0;	23.3	7.6	17.1	4.3	-	1 1/2	eę.	9.6
linois	742	81.2	41.6	18.7	5.1	3.6	4.2	0.0	2.3	-	-	12.8	-		6;	2.9	2.1
dione	380	81.3	46.1	25.1	4.1	3.6	2.4			1;	13	9.3	4.2		7	7	3.6
B.M.C	250	663	30.6	22.2	3.3	2 7	2.0	-	s.i	7	1.7	17.2	9.1	"	e4 .	2.6	2.6
entucky	213	5.05	700	28.5	4.6	8.2	2.8	2.8	4.1	21.6	7.8	3.6	7.5	1 -	4 1-5	2.2	3.6
puisiana	432	52.8	19.5	14.2	5.7	4.4	2.0	5.0	2.0	6.9[b]	[6]	2.6	3.4	26.0	4.9	7	2.7
	5	76.6	30.2	27.4	7.6	2.5	2.7	5.0	1.2		;	10.4	1.9	-	ad a	3.7	6.9
laryland	317	53.4	17.6	16.1	7.6	2.8	2.7	2.8	6.3	25.7	5.7	7.5	17 m	-	10.2	3.0	2.0
ichigen	806	67.7	39.7	17.2	89.00	1.7	2.4	demonstra	0,			8.5	5.9		6.5	1.8	9.6
linesotu	314	36.3	1	17.3	4.8	4.9	2.8	9.9	. :	24.4	8.3	12.4	6.4	6.2	- :	2.3	3.6
isseuri	280	612	36.3	14.9	3.6	2.1	4.2		9 .	11.8	3.1	12.6	4.7	3.5	9	1.6	5.2
lontone	8	46.9	1	27.2	9.5	5.1	3.4	1.8	1	15.6	4.8	5.7	11.2	4.8	6	3.3	7.5
ebraska	= :	54.6	1	39.9	7.0	3.4	4.3		. 8		-	5.5	31.5	1.6	₹ 0	4	3.0
evede	36	79.0	28.4	22.3	101	2.7	2.0	-	10.7	40	-	15.8	4.4		= <	4.0	10.4
ew Jersey	338	57.4		28.3	11.2	5.9	4.9		7.0		5.4	16.9	ce	Management	9.6	6.1	7
ew Mexico	113	65.7	37.2	20.6	3.8	1.6	1.7	4 :	, i.	6.0[b]	9	10.3	6.3	7.9	o; (٦;	2.5
arth Caralina	398	58.7	20.5	24.0	3	3.8	2.9	3.4	- 6.	15.3	10.3	7.3	2.5		N 0	2.3	4.7
orth Daketu	29	8.19	27.5	20.4	5.8	5.0	2.7		4	7.7	2.6	15.4	4.6	3.7	-	4.	3.7
	2	74.0	31.5	20.4	4.9	87 K	e0 e	6.9	1.7	100	1	13.1	6.5		2.5	1.2	9.0
Conomic	178	34.0	21.4	20.4	2.0	7	0 00	4 -	0.7	43.4	0.2	14.1	*	3.5	2 4	2.3	8.4
nnsylvania	206	59.4	24.2	17.9	6.9	5.3	3.1	1.8	4		14.2	8.5	ed	1	6.9	4.5	6.3
hode Island	79	74.6	27.9	18.1	7.2	0.0	3.0	5.6	9.6	13	20.0	7.8	-	1	eń i	4.2	3.6
buth Caroline	2 2	73.5	30.0	28.8	3.6	4.0	2.3	7.7	5.8	**	2 1	3.5	Q a		ŋ -	1.0	8.7
mnessee	281	73.3	35.0	25.8	5.8	2.9	3.0	49	7	1.7	5.9	8.3			2.7	1.5	979
NAS.	889	47.0	1	24.7	7.3	4.8	4.4	2.2	3.8	-	:	.10.7	5.0	26.8	5.9	1.6	3.0
1	2	61.5	30.9	23.4	2.6	1.0	2.6	- 1	e ;	14.8	6.4	7.2	1.0	3.1	c4 -	1.3	4.7
STW0.00	39	13.1		21.2	4.0	D. 6	2.7	7 9 9		24.6	- 0	17.0	0; 0	1:	- 1	2.0	9.0
arhington	412	92	57.6	14.1	35	. 64	1.7	3.6	7	40.0	2	3.4	6.5		t es	2.2	4
lest Virginia	162	85.3	49.1	18.3	5.7	2.0	3.0	-	7.2	discount	- Commenter of the Comm	9.4	4	-	6;	1.5	2.7
laconalm	362	31.8	ſ	18.2	5.2	3.6	2.2	2.6	-	31.7	12.7	10.4	7.4		-:	-	5.8
- mailan																-	4 .

(a) Havail not included
(b) Combined corporation and individual income taxes for two states (Louislane and New Maxico) are tabulated with individual income taxes

* Less than 15 of 1%

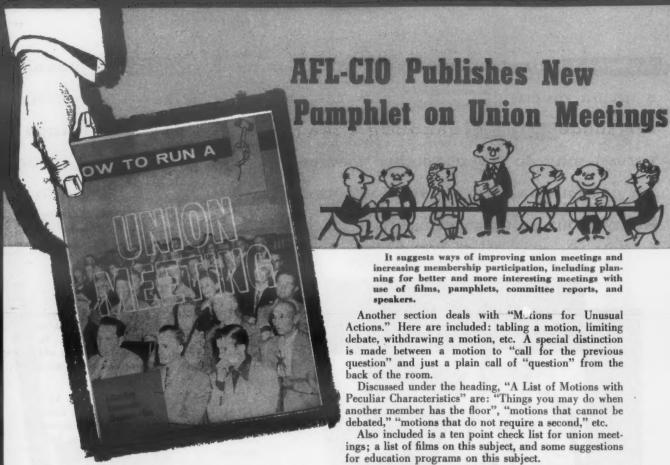
TABLE E
State Tax Collections by Source—1959 (AS PERCENTAGE OF TOTAL REVENUE)

		SALES AND GROSS RECEIPTS TAXES															
TOTAL (in million dollars)						Soloc	tive			Income Taxes							
		Yotal	General	Motor Fuels	Tobacco	Alcoholic Beverages	Insurance	Public Utilities	Other	Individual	Corporate	Motor Vehicle Licenses	Property Texes	Severance Taxes	Corpore- tion Licenses	Doath & Gift Taxes	Other
Number of States Using Tax (a)	49	49	33	49	44	49	49	32		32	36	49	46	28	49	48	
Total	\$15,831	58.7%	23.3%	19.3%	4.3%	3.8%	3.5%	2.3%	2.3%	11.2%	6.2%	8.7%	3.6%	2.5%	2.3%	2.2%	4.6%
Alabama	248	70.5	31.7	27.1	3.7	3.2	3.0	1.8	.2	12.2	2.8	1.7	5.2	.6	3.2	.3	3.5
Alaska	24	29.3	******	13.6	4.1	8.6	3.0	017010		33.8	5.8	6.5	.3	8.1	.3	.3	16.0
Arizona	129	62.1	32.9	18.1	2.4	2.6	1.9	2.6	1.6	7.0	4.1	6.8	17.1		.4	.3	2.2
Arkansas	150	71.3	33.9	24.8	5.5	3.8	2.4		1.0	5.6	5.6	8.6	.2	3.6	.6	.2	4.3
California	1,813	63.4	35.0	17.6		2.3	5.9	.6	2.1	8.9	9.7	6.5	6.3	-1	.1	2.4	2.6
Colorado	171	54.5	26.9	20.6		3.1	2.6		1.3	15.2	5.6	8.6	7.5	.7	.3	2.8	4.8
Connecticut	219	70.5	32.0	20.5	4.7	3.1	5.3	3.7	1.2	******	12.5	5.8			.3	6.5	4.4
Delaware	68	24.7		11.9	2.7	2.7	2.3		5.0	39.7	7.6	5.7	2.4		14.3	1.1	4.5
Florida	472	75.6	31.4	24.2	1.7	9.2	2.3	1.5	5.4			10.7	3.1		.4	.8	9.4
Georgia	338	77.3	39.5	23.8	5.3	5.8	2.8		.1	8.7	6.3	4.6	.3	Andrew .	.6	.5	1.7
Idaho	57	37.5	*****	24.0	4.1	3.0	4.0	1.5	.9	23.3	7.6	17.1	4.3	.1	.7	.8	8.6
Illinois	742	81.2	41.6	18.7	5.1	3.6	4.2	5.9	2.3			12.8	.1		.9	2.9	2.1
Indiana	380	81.3	46.1	25.1	4.1	3.6	2.4		*	******		9.3	4.2		.2	1.4	3.6
lewa	250	60.3	30.6	22.2	3.3	1.2	2.8	******	.2	14.4	1.1	17.2	1.6		.2	2.6	2.6
Kanses	199	65.5	36.2	19.3	4.3	2.7	3.0	.1		11.1	3.6	10.3	4.5	.2	A	1.2	3.2
Kontucky	213	50.9	0000000	28.5	4.6	8.2	2.8	2.8	4.1	21.6	7.8	5.6	7.5	.1	.7	2.2	3.6
Lovisiana	432	52.8	19.5	14.2	5.7	4.4	2.0	5.0	2.0	6.9[b]	[b]	2.6	3.4	26.0	4.9	.7	2.7
Maine	81	76.6	30.2	27.4	7.6	2.5	2.7	5.0	1.2			10.4	1.9		.5	3.7	6.9
Maryland	317	53.4	17.6	16.1	5.1	2.8	2.7	2.8	6.3	25.7	5.7	7.5	3.8		.2	1.7	2.0
Mussuchvsotts	490	34.7		15.2	7.6	5.2	2.3	-	4.4	32.3	6.2	3.7	.1		12.4	3.9	6.7
Michigan	806	67.7	39.7	17.2	5.8	1.7	2.4	400000	.9			8.5	5.9		6.5	1.8	9.6
Minnesatu	314	36.3		17.3	4.8	4.9	2.8	6.6	*	24.4	8.3	12.4	6.4	6.2	.1	2.3	3.6
Mississippi	183	73.2	36.3	24.9	5.6	2.2	2.8	.1	1.6	3.5	6.6	3.1	2.4	5.2	1.6	7	3.7
Missouri	289	61.2	36.3	14.9	3.6	2.1	4.2		*	11.8	3.1	12.6	4.1		.1	1.9	5.2
Mentone	60	46.9	*****	27.2	9.5	5.1	3.4	1.8		15.6	4.8	5.7	11.2	4.8	.2	3.3	7.5
Nobraska	81	54.6		39.9	7.0	3.4	4.3	*				6.5	31.5	1.6	A	.4	5.0
Novada	39	79.6	28.4	22.3	3.7	2.7	2.0	******	20.9	*******		8.6	4.4		.8	******	6.5
New Hampshire	38	58.0		29.7	10.1	2.7	4.7	*	10.7	4.0		15.8	6.1		.6	4.9	10.6
New Jersey	338	57.4		28.3	11.2	5.9	4.9		7.0		5.4	16.9	.8	-	8.6	6.1	4.8
New Mexice	113	65.7	37.2	20.6	3.8	1.6	1.7	.4	.5	6.0[b]	[b]	10.3	6.3	7.9	.9	.4	2.5
New York	1,586	29.7		8.9	4.3	3.5	3.8	4.1	5.1	35.7	16.0	8.0	.2		.2	2.5	7.7
North Carolina North Dakota	398	56.7	20.5	24.0		3.8	2.9	5.4	.9	15.3	10.3	7.3	2.5		1.9	.1.3	4.7
Ohie	59	61.8	27.5	20.4	5.8	5.0	2.7		.4	7.7	2.6	15.4	4.6	3.7	.1	.4	3.7
Oklahema	731	74.0 57.7	31.5	20.4	4.9	5.5	3.8	6.9	1.1			13.1	6.5	P. 8144	2.5	1.2	6.4
Oklahema Oregon	256	90.00	21.4		5.0	2.5	3.8	.2	2.6	5.8	4.4	13.1	000000	13.2	1.3	2.0	2.5
Oregon Pennsylvania	178	24.9	040	20.6	4.0	.7	2.8	.1	.6	43.4	9.2	14.1		.3	.4	2.3	5.4
Rhode Island	902 79	59.4	24.2 27.9	17.9	6.9	5.3	3.1	1.8	.3	_	14.2	8.5	.2		6.9	4.5	6.3
South Carolina		74.6			7.2	3.9	3.0	3.6	8.6		9.5	7.8		******	.3	4.2	3.6
South Daketa	195 50	73.5	30.0	25.0 28.8	3.6	7.4	2.5	2.2	2.7	9.4	7.3	4.3	.6	******	.5	.6	3.8
Tonnessee	281	77.9	35.0	25.8	4.1 5.8	4.9 2.9	3.5	.1	5.8		.7	13.4		.9	.1	1.3	5.7
Texas	688	47.0	33.0	24.7	7.3		3.0	.5	.2	1.7	5.9	8.3			2.7	1.5	6.6
Utah	83	61.5	30.9	23.4		4.8	4.4	2.2	3.8	145		-10.7	5.0	26.8	5.9	1.6	3.0
Vermont	39	43.1	30.9	23.4	2.6	9.9	2.6	.1	8.	14.8	6.4	7.2	1.8	3.1	.2	1.3	4.7
Virginia	270		_		6.4		2.7	2.8	*	24.6	5.1	17.0	.9	-	.1	2.6	6.6
Virginia Washington	412	40.9	57.6	27.4		3.1	3.9	6.4		26.6	9.0	8.2	4.9	1	.4	1.4	8.5
Washington Wost Virginia		83.6		14.1	3.5	2.3	1.7	3.6	.7	_	100000	3.4	6.5	******	.3	2.2	4.1
	162	85.3	49.1	18.3	5.7	2.0	3.0		7.2			9.4	.2	*****	.9	1.5	2.7
Wisconsin	382	31.8		18.2	5.2	3.6	2.2	2.6	.1	31.7	12.7	10.4	7.4		.1	.1	5.8
Wyoming	38	57.0	28.9	21.0	3.0	1.5	2.6		and the same of th	-	-	15.2	20.0		.3	1.0	6.5

⁽a) Hawaii not included

⁽b) Combined corporation and individual income taxes for two states (Louisiana and New Mexico) are tabulated with individual income taxes

^{*} Less than 1/2 of 1%



How to Run a Union Meeting is the newest publication prepared by the AFL-CIO Department of Education. It contains 16 chapters, beginning with "Why Parliamentary Law?" and ending with "All the Rules at a Glance." It is 64 pages, pocket size.

The material which is addressed to local union officers is based on Roberts Rules of Order. The rules are discussed in a simple, straightforward manner.

The emphasis is on the content and purpose of a meeting. It recognizes that meeting time is premium time in the lives of union members and their officers. The pamphlet shows how rules should be used to keep the meeting moving, not to trap the uninformed.

It suggests ways of improving union meetings and increasing membership participation, including planning for better and more interesting meetings with use of films, pamphlets, committee reports, and speakers.

Another section deals with "Mctions for Unusual Actions." Here are included: tabling a motion, limiting debate, withdrawing a motion, etc. A special distinction is made between a motion to "call for the previous question" and just a plain call of "question" from the back of the room.

Discussed under the heading, "A List of Motions with Peculiar Characteristics" are: "Things you may do when another member has the floor", "motions that cannot be debated," "motions that do not require a second," etc.

Also included is a ten point check list for union meetings; a list of films on this subject, and some suggestions for education programs on this subject.

Under the heading "Basic Rules of Order—How Motions Get Action," the steps are traced for introducing a motion, getting discussion, making amendments, or a substitute motion and voting to decide the will of the members. Each step in the procedure is described from the chairman's and the member's point of view.

The pamphlet contains sample agendas, and is illustrated with humorous cartoons.

As President George Meany indicates in his introduction: "If this handbook is put to work, we will not only reap the benefits in our movement, we will also increase the spirit and knowledge of democratic participation which our members and leaders will carry over into other organizations in the community to which they belong.'

ORDER HANDBOOK NOW!

HOW TO RUN A UNION MEETING (Single copy, 20c; 10 to 99 copies, 17c each; 100 to 999 copies, 15c each; 1,000 or more, 13c each.)

USE COUPON ON THE OPPOSITE SIDE to order copies of the handbook and the teaching guide described there.

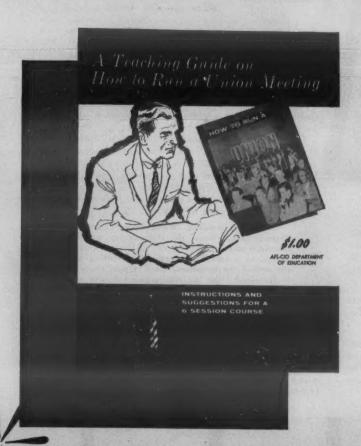








a union meeting session 3 how the chairman helps—how motions are made session 4 handling changes in motions and things a person may do when another member has the floor session 5 action for exceptional cases—special action motions session 6 what do we know about union meetings?



New Teaching Guide Available

AFL-CIO's new 41-page, six-session teaching guide, prepared by the Department of Education, is now available for \$1.00. Its purpose is to help local union officers and members participate more effectively in union meetings.

The teaching guide is based on the AFL-CIO pamphlet No. 81, "How to Run a Union Meeting." While the manual covers six sessions, it can be adapted for more or fewer sessions.

It includes a "quiz" program which can be used as the basis for a teaching session. It recommends three films, available from the AFL-CIO Film Division, which can be used in a course on building participation in local union meetings. The films, all of which are 16 mm sound, are Heart of the Union, Mr. Chairman and Parliamentary Procedure.

Local unions ordering the teaching guide will receive a sample copy of the pamphlet "How to Run a Union Meeting" with the teaching guide. If you plan to set up a class, please order enough copies of the pamphlet No. 81 for your class, but only one copy of the teaching guide.

HOW TO RUN A UNION MEETING

ORDER YOUR

SIX SESSION TEACHING GUIDE NOW!

in order to have a successful class, plan it carefully with a committee and publicize it adequately with the membership.

	N.W., Washington 6, D. C.
Teaching Guide	@ \$1.00 each.
	Meeting" @ 20c per copy; 10 100. 15c each.
Name	Title
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Name	Title
UnionAddress	Local No.

MEETING 1

THE SHOP STEWARD'S JOB ... WHAT HE MUST KNOW WHAT IS A GRIEVANCE

> INSTRUCTIONS AND SUGGESTIONS FOR A 6-SESSION COURSE

> > \$100

TEACHING

GUIDE FOR FL-CIO TEWARDS MEETING 2

HOW TO PREPARE YOUR CASE ... ENFORCING THE CONTRACT

- 46

MEETING 3 HOW TO HANDLE THE FOREMAN . . . WRITTEN GRIEVANCES HIGHER STEPS IN THE GRIEVANCE PROCEDURE

ORGANIZE YOUR STEWARD TRAINING CLASSES NOW!

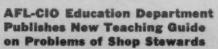
MEETING 4 CONTRACT PROVISIONS . . . SAMPLE CONTRACT QUESTIONNAIRE

MEETING 5

LABOR LEGISLATION AND POLITICAL EDUCATION

MEETING 6

KNOW YOUR UNION AND THE AFL-CIO . . .



Dressed up in a spiral binding and a smart, two-color cover, the AFL-CIO Education Department's new teaching guide based on the "AFL-CIO Manual for Shop Stewards" made its bow this month.

It takes the material from the 64-page "AFL-CIO Manual for Shop Stewards" and organizes it into a six-session stewards training course. The six sessions are indicated above. The first session, for instance, is divided into three basic discussions, for a two-hour period:
"What Are the Jobs of a Shop Steward," "What Should a Shop Steward Know," and "What Is a Grievance." The session closes with a summary of the main points of the discussion.

Suggestions are included for each class on How and When to Use the Blackboard and Ways to Organize a Discussion on Some of the Points Raised in the Shop Stewards Manual. These points should be helpful to a chief steward business agent or an international representative who knows the contract and arievance procedure of the local union.

Copies of the 64-page "AFL-CIO Manual for Shop Stewards" (No. 75; 20c per copy; ten or more copies, 17c per copy) should be ordered for all of the students in the class and used as a textbook-adapted, of course, to fit the local situation.

Send in your dollar now to the AFL-CIO Education Department, 815 Six-teenth St., N.W., Washington 6, D. C., for the new 37-page "A Teaching Guide for AFL-CIO Stewards."



Education Department Publishes New Manual For Shop Stewards

As AFL-CIO President George Meany says in his introduction to the new AFL-CIO MANUAL FOR SHOP STEWARDS!

"In a democratic labor movement, the shop steward or committeeman is a key man in the union. Democracy in the shop begins with a good steward to represent members with management. Democracy in the local union begins with an alert membership and the steward plays a key role in informing the members.

"In AFL-CIO unions, stewards are the first-line leadership. This is often a difficult job, requiring many skills. This Stewards Manual is written to help them carry out their responsibilities. As an AFL-CIO steward, you will find many helpful suggestions in it. Read it carefully."

The 64-page manual is amply illustrated with more than 30 illustrations.

The bulk of the Manual is divided into five sections: The Shop Steward in the AFL-CIO, The Steward's Job, How to Build the Union, How to Settle Grievances, Enforce the Contract.

Special sections on safety and accidents, background on labor laws, a steward's dictionary, famous dates in labor history and a check list for shop stewards are included in the manual.

Careful attention is given to the steward's job in working with the members in his own department under a section entitled "How to Build the Union." Such problems as building a team in your department, organizing the workers, getting members to meetings, working on COPE, are thoroughly discussed in this section.

New Teaching Guide Prepared

The AFL-CIO Department of Education has also prepared a Teaching Guide based on the Stewards Manual. This Teaching Guide outlines six two-hour sessions. It contains a careful outline for each two-hour session with a number of suggested discussion questions based on material in the new Stewards Manual.

The Teaching Guide is approximately 40 pages, $8\frac{1}{2}$ " x 11", bound with a spiral binding so it can be used easily by the instructor. It sells for \$1.00.

Local unions may wish to order AFL-CIO two-color poster No. 3 on grievances for bulletin boards at the same time they order the new AFL-CIO stewards manual.

Order AFL-CIO Shop Stewards Manual NOW!

Please send me _____copies of the AFL-CIO MANUAL FOR SHOP STEWARDS (publication No. 75). These are available at 20¢ per copy; 10 to 99 copies, 17¢ each; 100 to 999, 15¢ each; 1000 or more, 13¢ each.

Also please send me____copies of the Teaching Guide. These are available at \$1.00 each.

Name	Title
Local Union	Married School and a state and a special contract of the first and a state and a state of the st
Address	
City	Zone State
□ check enclosed	please bill









Will Our Senior Citizens
Get Real Health Care?

THE SENATE WILL DECIDE

YOU CAN HELP TO WIN THE FORAND BILL FIGHT No issue in recent years has aroused the American people as greatly as the Forand bill-a plan to protect retired persons from the crushing costs of severe liness through the social security system.

The first response of the Bsenhower Administration and some Democrats in Congress was to cry "socialism." But the demand of the people was too great to brush eside. The House Republican-conservative Democrat abulitien devised e "paper bill" substitute that Ignores the time-tested principles of the American social security system.

Only the United States Senate can serve the Forand bill, and it has only until the and of June to do it.

Why the Senate Holds the Key

By acting this month the Senate can win the fight for the Forand principle this year.

Why does this issue depend upon the Senate when the Forand plan originated in the House of Representatives?

The blame rests with a reactionary House coalition of Republicans and conservative Democrats.

Under the rules of the House, the Forand bill was referred to the Ways and Means Committee. During almost two years there were thorough hearings but no action.

Meanwhile, public demand mounted. Even the Eisenhower Administration was forced to offer a substitute plan. Finally the Ways and Means Committee coalition approved the "compromise" that has been labeled the "pauper's oath" bill (see below).

This "compromise" was made a part of a general social security bill. In accordance with practice, this bill was reported under a "closed rule." forbidding floor amendments.

Congressmen who favored the Forand bill never had a chance to vote for it; they had to vote "yes" or "no" on the social security bill as a whole.

But the Senate can vote to substitute the Forand-plan principle for the pauper's-oath "compromise." That would force the issue to the floor of the House as well, and thus give every member the chance to stand up and be counted.

That's how a Forand-type bill can be passed this year.

The Forand Plan and the Phony

The difference between the Forand plan and the House "compromise" is the difference between health protection and hokum.

The Forand plan would extend the social security system to include moderate hospital, nursing home and other care for all persons eligible for social security benefits.

A small increase in social security taxes (maximum for any worker: \$12 a year) would pay the cost. But this tiny increase would add up to about \$1 billion a year.

Administration would be through the existing social security system. Patients' freedom of choice and the freedom of cooperating institutions from government interference would be assured.

Most important, health benefits (like old age and survivors insurance) would be a matter of right. Pensioners who had earned honorable retirement would not need to sell off their modest possessions and sign a pauper's oath to qualify.

In contrast, the House bill offers \$325 million a year in federal tax money to whatever states are willing and able to match, or nearly match, the federal contribution. This would knock out all but a few rich states; the others couldn't afford it.

Under such plans, persons over 65 would be eligible only if the state decided they were poor enough. That's not insurance; it's justan extension of public relief.

Even the sponsors of this paper program admit no more than a million retirees could benefit, as against 12 million under the Forand plan.

Nearly a third as much money; less than one-tenth as many helped. That's the contrast.

Time is short. Congress is expected to adjourn early in July to free its members for the party conventions and the 1960 ples form.

The elections are important—but so is the forund plan.

If these who want and need the Parant chartened and all who expect to grow old same day—If all these stand together, the treated plan are the a reality festead of the election insee.

Your Senators may decide the final votes our letters can help decide THEIR votes.

It's Up to America:

The people can prevail over conservative Republicans and Democrats who would deny human dignity to the elderly ill.

The issue still is: Can you afford to be 65? Can you afford to have 65-year-old parents? You can—if you act at once.

- Write your Senators and urge that they fight to replace the House proposal with Forand type health-care plan.
- Urge your neighbors, old and young, to join in this great effort to give full meaning to our national goal of old-age security.

June days may be long but few of them are left. Don't waste one of them.

Address both your Senators:

Senator's Name Senate Office Building Washington 25, D. C.

Write-Right Now!

AMERICAN FEDERATION OF LABOR

and

CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 Sixteenth Street, N.W. • Washington 6, D. C.

GEORGE MEANY
President



WM. F. SCHNITZLER
Secretary-Treasurer

Why Labor Fights For Civil Rights

By BORIS SHISHKIN, Director, Department of Civil Rights, AFL-CIO

Equal justice before the law for all Americans is the first, the guiding principle of the free, democratic, society—of the constitutional government itself, here in America.

But to win practical application and universal acceptance of this principle of equality in every field of American life, has taken much real, hard fighting for it over the years of American history.

Through history, the staunchest fighter for true freedom and full equality has been the American organized labor movement.

From its beginning, our trade union movement has been in the forefront of all major efforts to bring our community practice into line with its avowed ideals and its democratic principles.

This is no accident.

Trade unions have fought this fight because the labor movement was born as the champion of the underdog.

Labor has done this, and is doing it today, not only because of its idealism, but because of its basic self-interest.

Thus when the early labor movement in America initiated the fight for free universal public education, it was not only trying to advance the general welfare of the country, but also to meet the needs of the children of its own members.

SHARED INJURY

From the start, also, the labor movement has espoused the slogan "An injury to one is an injury to all." It has done so not only for a moral reason, but also because, time and time again, unionists have learned from experience that all labor suffers when any segment of it is wronged or defeated.

It is an old story that back in the nineteenth century, and even more recently, labor's forward movement was held back by employers playing one nationality among workers against another.

We in the labor movement learned long ago that, if we did not organize all groups of workers, the lower standards of those left out, would invariably pull down or hold back the standards, the wages and the working conditions of organized workers. One can cite specific instances in the past where a union shortsightedly refused to organize workers because of their nationality or race, and employers promptly used those workers at lower scales to undercut union standards.

When minority workers remain outside trade-union ranks and do not have the benefits of union-maintained standards, they are forced to accept lower conditions and inferior benefits in their employment. They thus become the source of unfair competition undermining the prevailing union-won standards.

"Divide and rule" has been a favorite device of exploiters and oppressors from the earliest days of human history. And in present-day America there have been repeated instances of Southern employers staging full-fledged race hate campaigns among their employees for the sole purpose of defeating the certification of a union as their bargaining representative in National Labor Relations Board elections.

Organized labor, therefore, wants and needs to have all workers within its ranks, without regard to race, creed or color, on the basis of full and complete equality.

But as we look upon the rapidly changing American industrial scene and discern the shape of things to come, it becomes clear that the minority workers need unions just as much as unions need them.

We live in the time of swift technological change in our industry. Automation is sweeping through the plants and workshops of America. Automation makes it possible to have machines, instead of men, operate machines.

The advance of automation through industry means far-reaching changes in the structure of labor force. Automation results in growing demand for highly skilled workers. On the other hand, it means a relative decline in the industrial requirements for workers in lower skill classifications. Denial of equal opportunity to minority workers by employers in the past has led to undue concentration of these workers in the lower skill classifications. As the result, the rapidly continuing advent of automation will hit hard the minority worker in industry. For him it will create serious problems of job security and of finding other suitable employment.

Who will help the minority worker to meet these problems so crucial to him? The employer?

AVOIDING DUTY

The evidence at hand makes it clear that corporate management is not discharging its clear and direct responsibility to accord equal opportunity to workers without regard to race, creed or color.

To be sure, there are exceptions. The International Harvester Company, for example, which has plants across our land, has done an outstanding job of furthering nondiscrimination policy in its facilities. North American Aviation is another firm

that has established a notable record. But these companies along with a few other firms are exceptions that prove the rule. The truth is that American employers have been grossly derelict in their duties both to the workers and to the community in their failure to further equal rights and opportunity in employment.

The fact is, that there is not one national association of manufacturers or trade association in the United States that has a civil rights policy, a civil rights program, or any staff to advance fair employment opportunities in industry.

The minority worker on the modern industrial scene clearly needs help in achieving employment security and in successfully adjusting to rapidly changing conditions. Only labor unions can provide this help to him. For it is the labor movement that has demonstrated by past performance its ability to bring equal employment opportunity and fair employment practices within the reach of the minority worker.

It was organized labor that launched a drive for fair employment practice legislation, national, state and local, and is carrying a daily fight for enforceable and well-administered FEPC laws.

LABOR LEADERSHIP

It was organized labor, also, that initiated the drive for the inclusion of nondiscrimination clauses in collective bargaining contracts in industry. Today, these clauses, accepted by employers, but initiated and insisted upon by unions, provide that most important single instrumentality to assure nondiscrimination on our industrial scene.

The labor movement needs the minority worker within its ranks. And the minority

worker needs the labor movement in this hour of need. Yes, the minority worker needs the union, he needs to stands together with his union brothers, if he is to overcome the disadvantages pressed against him today and to meet successfully the even greater challenge of changing technology in the years ahead.

Organized labor is pressing the fight for equal rights for all Americans in every field of life. It has mounted a drive not only to eliminate discrimination based on race in employment. It is also effectively fighting against such discrimination in housing and in all places of public accommodation.

A recent spontaneous protest by students against the denial of service to Negro customers at lunch counters of the Southern branches of chain stores has been countered, in several cities in the South, with repression, police brutality and dismissal from school enrollment of students taking part in the protest "sit-ins."

The North Carolina AFL-CIO, at its Convention in Raleigh, N. C. on March 18, 1960, adopted, without a dissenting vote, the following resolution:

"WHEREAS the American Labor Movement has always stood for the rights of all human beings regardless of race, color or creed;

"WHEREAS the American Labor Movement recognizes that the rights of minority groups are now being denied in a variety of areas, such as the use of various public facilities, in employment opportunities and in the equal availability of good housing:

"WHEREAS there are now Negro student groups throughout the South who are demonstrating through the use of peaceful labor techniques such as the picket line; the sit-down and the consumer boycott for equal rights to eat in public eating facilities.

"THEREFORE be it resolved that this Third Annual Convention of the North Carolina AFL-CIO express its approval of the efforts of these Negro student groups and express our disapproval of the unwarranted police actions now being carried out in many of these demonstrations as violations of the rights of American citizens to free speech and free assembly."

Similar resolutions have been adopted by a number of AFL-CIO State and local central bodies from North Carolina to California. And good union members and their wives, in many cities across the land, have been manning picket lines in front of the local chain-store branches, swelling the voice of protest against such discrimination denying Americans service because of their race.

Labor fights for civil rights of all Americans, because trade unions must serve and speak for all workers, regardless of the color of their skin.

Organized labor knows the deep truth in the meaning of the words:

"United We Stand, Divided We Fall."

Reprint from
THE AFL-CIO
AUXILIARIES REPORTER
JUNE, 1960

No. 7



The indirect approach to discussion of civil rights has been used successfully by one union education director in a state where schools have been closed and feeling has run high.

Some union representatives may feel that, because of the tense racial situation, this is no time to educate on civil rights in southern union halls: "Have a program on the implications of school integration? Why create problems? Let's leave well enough alone."

The union educator who developed the type of program described here feels that much can be learned from this technique. Similar programs were held in numerous locals. While it is an indirect approach, all participants knew very well what they were really discussing. None of the members became excited and walked out. Many said after the program that it was one of the best and most interesting meetings which they had ever attended. Some of them requested copies of the Constitution: "From now on we want to know what we are talking about."

At the beginning of the program four panel members are selected. They are told that they will discuss the Right to Picket and the Federal Minimum Wage Law. Background information about the Constitution and the functions of the three branches of government are provided. Then the moderator presents a "theoretical" case to the panel:

MODERATOR: Let us talk about the right to picket: Do you think that, as Americans and as union members, you should have the right to picket?

ALL: Yes.

MODERATOR: What gives you the right to picket? SILENCE

MODERATOR: It's like the right of free speech, isn't it? How did you get that right?

PANEL MEMBER: Could it be we got it from the Constitution?

MODERATOR: What part of the Constitution? SILENCE

MODERATOR: I'll read it to you. (HE READS THE FIRST AMENDMENT.) Now, if anyone tries to take that right away from you, what can you do about it?

PANEL MEMBER: Take it all the way to the Supreme Court, I suppose, and let them rule on it.

MODERATOR: Now I am going to give you a case, and I want the four panel members to tell me what can be done about it. This year, the South Carolina legislature passed a bill practically outlawing all picketing in South Carolina. Suppose you belong to a local union in South Carolina. Now that the anti-picketing law has been passed, the employer decides it's a good time to destroy the union. So he announces that, starting Monday, there will be a 10 per cent wage cut, no more paid holidays, and no more paid vacations. What would you do?

PANEL MEMBERS: We'd go on strike.

MODERATOR: All right, you go on strike, and you walk in front of the plant carrying what?

PANEL MEMBERS: Picket signs.

MODERATOR: Why would you want to carry picket signs?

PANEL MEMBERS: So that everybody knows we are on strike.



MODERATOR: But suppose the Governor of South Carolina says: There will be no picketing in my state. I don't give a hoot about the First Amendment of the Constitution and what the Supreme Court has to say. Washington isn't going to tell me what to do and what not to do. So he calls out the National Guard, not to enforce the First Amendment of the Constitution and the Supreme Court ruling, but to stop you from picketing. What will you do now?

SILENCE

MODERATOR: Well, what will you do? Let the Governor of a state take away your right of free speech, as guaranteed by the First Amendment of the Constitution and the ruling of the Court?

PANEL MEMBER: I'd go back to court—all the way up to the Supreme Court, if necessary.

MODERATOR: So you go back to court, and, once again, the court rules that you have the right to picket peacefully under the Constitution. The court goes even further and enjoins the Governor from using the National Guard to stop your picketing. What will you do now?

Guard to stop your picketing. What will you do now? PANEL MEMBER: I'd go back to picketing, holding

my sign way up high.

MODERATOR: But a state-wide committee has been formed. It calls itself the "South Carolina Citizens Council to Stop Picketing." So there you are, holding your picket sign up high, which, the court rules, you have a right to do, when a Citizens' Council mob arrives at the gates of the plant, shouts: Kill that dirty Communist!, and throws bricks and stones until you go down. (HE TURNS TOWARD THE FOUR PANEL MEMBERS.) Now I

want you to be the President of the United States and I am asking you: Mr. President, what will you do?

MAN IN THE AUDIENCE: That's where the federal

troops come in.

MODERATOR: You would call out the federal troops? I'd rather have the four panel members figure this out. Mr. President, it is your job to see to it that the law of the land is obeyed. What will you do, Mr. President?

PANEL MEMBER: I'd see if there are some rules and regulations which would cover such a situation.

MODERATOR: You'd make a good President. Let us look at the rules and regulations. They are in a big book, called the U. S. Code—full of rules and regulations. Let us look up what rules apply to our situation. (HE EXPLAINS THE U. S. CODE, THEN READS OUT LOUD SECTIONS 332, 333, 334, TITLE 10, CHAPTER 15.)

PANEL MEMBER: I'd follow the U. S. Code and issue a Presidential Proclamation.

MODERATOR: And what would you put into your Proclamation?

PANEL MEMBER: I'd request the mob to stop and disperse.

MODERATOR: What if they don't pay any attention to your Proclamation and continue to beat up the union pickets?

PANEL MEMBER: I'd hesitate there, but if you really want me to be the President of the United States, there is only one thing I could do then: Federalize the National Guard or call out the troops...."

MODERATOR: I'll give you another case now, The state of Illinois has no minimum wage law. The Governor of Illinois decides that, if South Carolina can ignore the constitutional right of free speech, Illinois can ignore the \$1.00 federal minimum wage law. A state-wide "Citizens Council to Keep the Federal Minimum Wage out of

Illinois" has been set up and there is talk about mobs that will keep all union members (who insist on being paid at least the federal minimum wage) out of the plants. So the Governor calls out the National Guard to stop all union members from going to work, because this would cause violence, he says. Well, how about that? Should Washington really be allowed to tell the employers in your state how much they have to pay? Should federal inspectors have the right to come into your state and check whether your employers are paying the federal minimum? Isn't this interference with the rights of your state, in the name of regulating inter-state commerce? Now pretend again that you are the President of the United States. What will you do? Issue a Proclamation? What if the Proclamation is ignored?

WOMAN IN THE AUDIENCE: I'd like to say something about this. If it wouldn't be for Washington, working people would have nothing. No right to organize, no unions, no Social Security, no New Deal and Fair Deal benefits. Nothing. We'd be getting sweatshop wages today, if it wasn't for our union and federal government.

. "

Encouraged by the type of discussion that takes place, the people of good will—those who believe in law and order—begin to speak up. This type of program makes it easier for them to have their say.

Successful education programs dealing with civil rights must create an atmosphere of a completely free exchange of opinions. There must be no indoctrination, no "this must be done because this is AFL-CIO policy." The most outspoken segregationists as well as the most moderate members must be encouraged to speak up and give their viewpoint without fear of being "slapped down." At the end, it is the moderates who prevail and who do most of the talking, gathering courage as the program proceeds. Until then, the "extremists" have made all the noise.



Check Your Local on Its Civil Rights Program

Seven local unions in the Chicago area were honored recently for their activities in promoting civil rights by the Fourth Labor Conference on Civil Rights in Chicago. It was the first time that the Conference had recognized local unions in their awards.

The awards were given "for initiative and excellence in civil rights policy and practice; for continuous, year-around application of such policy and practices; for cooperation with other labor bodies in activities and programs to benefit all union members and their families; and for participation in community programs in service to all citizens."

The seven locals differ in their history, size, location, and program. They are all active in city and state union bodies. They have one other thing in common which led

to their civil rights awards: They faced reality and did something about it.

Top honor, the Distinguished Civil Rights Award, went to Local 241, Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, for its achievement of thorough and continuing integration of drivers in the Chicago transit system. In 1943, at the suggestion of the union, employment as driver was opened to anyone regardless of race, creed, or national origin. Training of new drivers is performed in all parts of the city by any veteran driver who gets the assignment.

Other unions which received the Civil Rights Award were:

Local 1550, International Association of Retail Clerks, which in 1952 sucessfully integrated a Negro local into Local 1550. Employers are urged to hire on the basis of qualifications, regardless of neighborhood. The local has successful recreation functions, credit union, eye care center and blood bank.

Local 329, Building Service Employees' International Union, has had all eight of its units integrated from the beginning. Steward training classes, annual conferences, and the bi-monthly publication put regular emphasis on civil rights. The local fought employment discrimination by Chicago's State Street stores.

Local 1422, United Steelworkers of America, has been successful in placing Negroes as foremen, confidential secretaries, time-keepers, draftsmen, plant nurse, and in combination lithograph positions. Their counselling program helps all members in housing, safety and health, workmen's compensation, wage assignments and garnishees, blood bank, and credit union.

Local 477, United Automobile Workers, succeeded in eliminating racial designations on employment application forms in 1937. In 1938 the local elected its first Negro officer and has had total integration in all union offices since that time. The local has a standing Committee on Civil Rights, holds classes on civil rights and participates actively with civil rights programs of the UAW, Cook County Council, and the Jewish Labor Committee.

Local 87, Amalgamated Meat Cutters and Butcher Workmen of North America, organizes every eligible worker regardless of color, creed, or ethnic origin. Its staff and officers are thoroughly integrated. The local is active in community and state civil rights programs.

Local 1, National Federation of Post Office Clerks, led the campaign for civil rights resolutions in the Illinois State Federation of Labor and has actively fought for equal housing accommodations for delegates at conventions. The local helped to start the Chicago Labor Conferences on Civil Rights and helps police the President's Committee on Government Employment Policy.

The 4th Annual Labor Conference on Civil Rights which made the awards, is a joint project of labor groups in the Chicago area and of the Jewish Labor Committee. Nearly 100 labor leaders worked actively on committees to plan the conference. Delegates attending came from 25 international unions and represented a cross-section of the Chicago area labor movement.

Civil Rights Checklist Prepared

One guide used in granting the Civil Rights Awards was the checklist prepared for use by local unions by the Jewish Labor Committee with the cooperation of local union officers and labor educators who have been connected with the annual Civil Rights Conferences in Chicago.

This checklist helps local unions to evaluate their own union activities and programs, to recognize what they have been doing to promote civil rights and what needs to be done in their unions, industries, and communities.

If you want to see how your local union measures up in civil rights, check your answers to the questionnaire with this article.

Local Union Self-Evaluation Check List on Civil Rights*

The purpose of this check list is to help the responsible local union officers (yourselves), and the representatives of your international union located in your area, in developing a program of civil rights for the benefit of the union members, the union, and the community.

1.	Do you have an active civil rights (or	YES	МО
1.	human relations or fair practices) committee?		
2.	Does your employer(s) discriminate in hiring, upgrading, layoffs, transfer, rates of pay, selection for training, or job assignment on the basis of creed, color, or national origin?		
3.	Does your contract include a special non-discrimination clause referring to the areas of discrimination in 2, above, in addition to the seniority provision of the contract?	******	
4.	Has your local handled any cases of discrimination based on color, creed, or national origin? (Briefly describe the procedures.)	*******	0=00====
5.	Does the employer(s) use a personnel application form? (Consider both shop and office hiring forms.)		*******
	Does this form include questions that refer to color, religion, or national origin?		
6.	Does your employer have a federal government contract? If so, has he posted the mandatory non-discrimination provision?		
7.	Does your local participate in an apprenticeship plan? How are the apprenticeships selected?		*******
8.	Does your contract include medical welfare provisions such as Blue Cross and Blue Shield? Does each union member have equal and adequate access to medical institutions and services covered by these welfare provisions?		*******
9.	What civil rights conferences, sponsored by or for labor unions to which union representation was invited, or institutes or classes has your local participated in during the last 12 months?	*******	
10.	What specific action has your local taken to promote local, state and federal civil rights legislation?	*******	
11.	Does your local have social functions? Do all the cultural groups participate in proportionate numbers? Comment:	*******	*******
12.	Does your union promote civil rights understanding through union publications? film showings? literature? Com-		
	Prepared by the Jewish Labor Committee of	Chica	igo.

WIPE OUT



FOR ADDITIONAL COPIES WRITE:

AFL-CIO Education Department

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
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Printed in U.S.A.



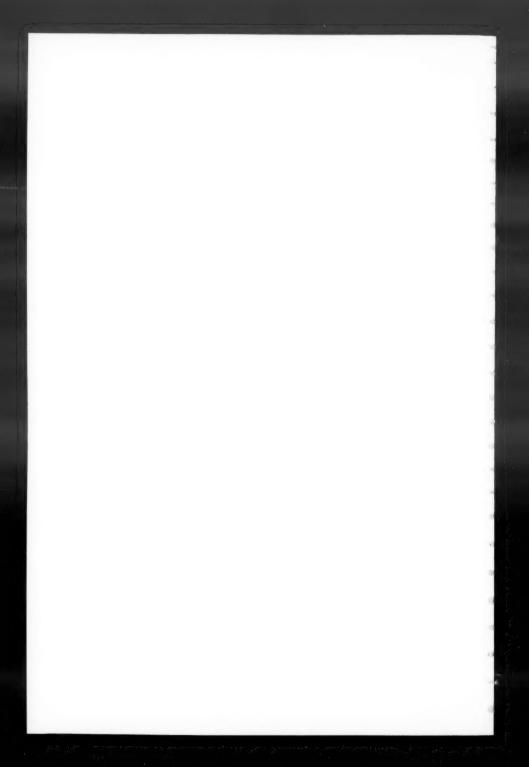


Proceedings of the

AFL-CIO CONFERENCE ON WORLD AFFAIRS

APRIL 19-20, 1960.

SEE VALUE CEPT



AFL-CIO CONFERENCE ON WORLD AFFAIRS

held on

Tuesday and Wednesday

April 19-20, 1960

at the

Century Room

Commodore Hotel

New York, New York

GEORGE M. HARRISON

Vice President, AFL-CIO

Chairman

AFL-CIO International Affairs Committee

Presiding



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FOREWORD

This volume is more than the recording of vital speeches at an historic conference. Here is history, living history, at a very

crucial moment in the life of the American people.

For American labor to hold a Conference on World Affairs, addressed by outstanding authorities on international problems, is itself an event of no small significance. It reveals the expanding social vision of American labor and its deep concern for human well-being and freedom. Here was a meaningful demonstration of our desire and determination to help our country fulfill its great responsibilities to the liberty-loving people of every color, creed, and continent.

This Conference also represented a landmark in the progress of American labor as a dynamic force for strengthening its own ranks and the free world labor movement as a bulwark of human dignity, freedom, and harmonious relations among all peoples.

Our Conference on World Affairs could not have come at a more appropriate moment—less than a month before the scheduled opening of the Summit at Paris. Beyond question, the problems considered at our Conference continue to be in the forefront of international concern. This was strikingly confirmed by

subsequent developments.

We have had a most encouraging response to our publication of the Special New York Times Supplement (May 8, 1960) containing substantial excerpts of the principal addresses delivered at our Conference. On the other hand, within a few days after it ended, our Conference was bitterly condemned by two of the world's arch enemies of freedom and world peace—Anastas Mikoyan and Nikita Khrushchev. The entire regimented press within the Soviet Empire and its Kremlin-controlled counterpart in the free world instantly echoed their masters in Moscow.

What has happened at Paris since the ending of our Conference serves only to confirm the soundness of AFL-CIO Vice President George M. Harrison's opening remarks when he pointed out that:

"Our job at this Conference is to help our country replace apathy with alertness and action, complacency with a sense of urgency, and confusion with clarification, understanding and a sense of purpose and direction. . . There is a great and growing desire by all peoples for peace. We must, however, be on guard against wishful thinking and self-deception. Today, there are no short cuts to world peace, let alone to peace and freedom."

We hope that this volume will help our nation develop greater understanding of the crisis at hand and the sense of urgency, purpose, and direction so vital to America's serving ever more effectively the great cause of human freedom and world peace.

Washington, D. C. June 15, 1960 Jany Many

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PROCEEDINGS

AFL-CIO Conference on World Affairs

FIRST DAY—MORNING SESSION

Tuesday, April 19, 1960

CHAIRMAN HARRISON: Will the conference please come to order. President Meany, my colleagues on the Executive Council of the AFL-CIO, delegates and friends:

I am very happy to have the opportunity to welcome all the delegates and our friends to this conference of the AFL-CIO on world affairs.

We meet here this morning on a very historic day. In April 1775 there was fought the Battle of Lexington and Concord. By modern standards and measures, this battle was short and small. There were not so many men involved in the fight, and the casualties were comparatively light. But the idea behind the fight was a great idea and one that has proven to be the solution for mankind's problems. It was the idea of freedom and the ideal of freedom. That is why historians speak of the "shot heard round the world" in telling the story of the Battle of Lexington and Concord. It has been said, and rightly so, that on the 19th of April, 1775, there died the old order, and on that day many ordinary citizens showed how deeply they believed in freedom and how ready they were to answer the call to defend it.

We of American Labor are ordinary citizens and we are devoted to freedom. Our country and the rest of mankind are now going through a very critical period. This is an acute critical period because the threat of Communist despotism against freedom presents a grave situation.

The fight for human freedom continues. The forces of free-

dom must win if the moral values and democratic ideals which we cherish so highly are to survive and thrive.

The first requirement of such victory is clarification and understanding of the issues involved. Unfortunately, there is too much apathy and complacency in our country at this critical time. Too few of our Americans are sufficiently aware of the seriousness of the Communist threat to human freedom, to our national security, and to world peace. Too few are alert to the fact that if freedom is to be protected and promoted in 1960, the ordinary citizen will have to show today as much concern over freedom as our forefathers did when they fought the Revolutionary War for America's independence.

Our job at this conference is to help our country replace apathy with alertness and action, complacency with the sense of urgency, confusion with clarification, understanding and a sense of purpose and direction.

In this spirit, the AFL-CIO has called this conference and arranged for outstanding leaders in the field of world affairs to address you on various phases of the critical struggle for peace and freedom. The opinions to be expressed by the speakers may or may not be in accord with those of the AFL-CIO. Their conclusions are yours to think about, to modify, to accept or reject. They are opinions of outstanding Americans, whose patriotism, sincerity and qualifications are beyond question.

World Problems—Our Problems

This conference could not come at a more appropriate moment. The diplomats of the world are engaged in endless conferences. The statesmen and heads of state are operating on jet-propelled schedules, headed towards the Summit, where all problems are to be discussed, and if possible, solutions found.

Disarmament, outer space, Germany, Tibet, India, Latin America, Africa, the Middle East and other important issues vitally concern not only diplomats but all of us—in the smallest isolated village no less than in the biggest cities.

The imperative challenge in the world today is to find means for survival tomorrow. With the United States, Britain, France and Russia possessing nuclear weapons and the probability that Red China may soon attain similar powers of destruction, man has finally produced the means for the total destruction of his species.

The immediate challenge that transcends all our other needs is to seek and secure understandings among the nuclear powers and develop the devices which will prevent the use of such weapons to destroy our civilization. We also have the problem of dismantling and completely eliminating the international subversive mechanisms effectively used to impose objectionable ideologies upon defenseless people. Our best minds must be put to work to find a way to live in peace and freedom, to control nuclear discoveries for peaceful uses and reduce conventional armaments.

There is a great need and a great desire of all peoples for peace. This desire is all the stronger because of the horrible potential for limitless destruction by nuclear weapons and other instruments of mass annihilation.

We must, however, be on guard against wishful thinking and self-deceptions. Today there are no shortcuts to world peace, let alone to peace and freedom. We cannot think realistically of what co-existence means to Moscow without keeping uppermost in our mind the brutal Soviet suppression of Hungary. The Khrushchev dictatorship has never hidden from us its unrelenting determination to dominate the world and remold it on the Soviet pattern. We dare not hide this Soviet aim from ourselves, and we must face it squarely and meet it for what it is, no matter how it is camouflaged.

American labor and the American people do not want peace with chains and slavery. We want peace and freedom, not the peace of the jailhouse or the cemetery. American labor has the most vital stake in the struggle between democracy and dictatorship. No free trade-union movement can exist without democracy, nor can democracy survive anywhere, for any length of time, without a strong and free trade-union movement. Dictators of every stripe have always understood this. Free labor has been the first target of every dictatorship.

Experience has taught us that the weakening or destruction of freedom anywhere only serves the undermining and overthrow of freedom everywhere. That is why we of American labor opposed Bolshevism, Fascism, Nazism, Falangism, and Peronism, from the very outset. Hunger and disease are enemies to be fought on a world-wide scale, and there is no room for colonialism in the free world. Modern technology makes possible the conquest of poverty and the attainment of prosperity everywhere. We not only believe in this, we believe in doing something about it.

Free World Plan, Purpose and Power Necessary

The free world must develop the purpose, the plan and the power to meet the Communist challenge and its subversive conspiracy. There must be no captive nations in Africa, Europe or anywhere else. Our country must develop the sense of urgency, the will, and the strength to meet its historic responsibility in serving human freedom, peace and well-being.

American labor's continuing and growing interest in our country's foreign policy demonstrates the great vitality of our democracy, and may we all appreciate that the vitality of our democracy is directly dependent upon the initiative, energy and interest shown by our voluntary organizations and our members in meeting the basic problems and needs of the community. By developing a strong interest in our nation's foreign policy, we are serving our democracy.

American labor has, especially since World War II, engaged in many international activities, often global in perspective and performance.

Now, for information of the delegates and attendants at our conference, the press and invited guests to this conference may get reference material in the packets distributed at the Registration Desk and on the tables where you enter the conference room.

Before presenting our first speaker, I think perhaps I ought to indicate the general rules that we feel will expedite the conference. After the speaker presents his views to the conference, there will be a period of thirty minutes in which the members of the delegation may ask questions or comment upon the views expressed by the speaker. But each individual so participating and asking questions or commenting upon the views expressed by a speaker should limit his presentation to a period of five minutes. I think, perhaps, we will appreciate the necessity for these limitations, because we only have thirty minutes following the presentation of each speaker for questions and answers to these questions.

Now, it is my distinct pleasure and great honor to present the first speaker to our conference. He needs little introduction, because he is known throughout our great country and throughout the world as Mr. American Labor.

He is the great president of our American Federation of Labor and Congress of Industrial Organizations, and he will now address you on "American Labor and the World Crisis." It is a great pleasure to present President George Meany.

(Loud applause.)

GEORGE MEANY

"American Labor and the World Crisis"

PRESIDENT MEANY: Chairman Harrison, my colleagues on the Executive Council, our distinguished guests, visitors and delegates to this conference:

We are moving rapidly day by day toward the ultimate challenge in the history of mankind.

This is a challenge on the one hand and the most promising opportunity in recorded time for deliverance from the age-old enemies of humanity—hunger, disease, ignorance and despotism.

On the other hand, it threatens total danger of extinction.

The stakes in this crisis are too high to entrust blindly to the few leaders at the Summit without the advice and consent of the people they represent. Each and every individual in a democracy such as ours has a clear responsibility to contribute to the final decision on this vital problem.

The American trade-union movement accepts that responsibility. We meet here as free citizens to weigh the facts and analyze the problems, to help create an intelligent, vigorous public opinion and to strengthen the hand of our Government.

Labor's concern with world affairs did not spring up overnight. From the beginning of the century we recognized and put into practice an international fraternity of freedom. We joined hands with the free trade-union movements of other lands against dictatorship and in support of democracy.

As a result of close contact with world developments, American labor not only rejected Communism, but was also able to spot the oncoming menace of Facism, Nazism and Japanese imperialism long before other groups in this country were aware of the gathering storm. Immediately after the surrender of Hitler, all our representatives moved into Europe with the occupational forces to help rebuild the free labor movements in liberated Germany, France and Italy. We did this because we understood the plans of Communism to take over these countries by first seizing control of their labor movements. American labor's significant contribution to the success of the Marshall Plan and the rehabilitation of free Europe has been publicly acknowledged by President Eisenhower and the leaders of our Allies.

Because we have served a long and hard apprenticeship, the American trade-union movement is qualified to consider the issues of the current world crisis at this conference, not as amateurs but as full-fledged journeymen. We know the score. We know the character and capabilities of the contestants. We know how much depends on the outcome of this struggle.

Positive Potential

Let us first examine the positive potential. Our civilization, hour by hour and year by year, is breaking through past barriers that have stood in the way of universal participation in the benefits of progress.

The time will soon come when the world will be able to pro-

duce enough food so that no person ever again will have to go hungry, so that children and adults in every land can enjoy a healthful diet.

Before too long, every nation can have the power, the material resources and the industrial knowhow to provide decent homes, adequate clothing and well-paid employment for its people.

In the foreseeable future, science surely will find the answer to the major diseases that still victimize millions each year, thus making possible a considerable expansion of the average human life-span.

In the course of a generation or two, illiteracy and ignorance can be wiped out through the expansion and improvement of education.

At this very moment, great masses of people are rising up against economic and political subjugation and reaching for their rights and dignity as human beings. Their search for freedom and equality cannot long be denied or suppressed. The stirring events now gripping Africa—the historic development in a non-violent manner in many sections of our own country—are inevitable steps in the historic march of progress. We are now witnessing the beginning of the end of color as a divisive force in society. At last the world will recognize only one race—the human race.

These great goals are attainable in our time, but only through the concerted efforts of the nations blessed with the power and resources to help less-developed areas of the world. They cannot be realized as long as any aggressor nation seeks to capitalize upon human misery by offering help only at the price of surrender. They cannot be achieved without peace and without security against the danger of annihilation. The great negative potential in world affairs today is war—atomic war or cold war, military war or economic war. That continuing threat to human survival and progress stems from one source and one source only: Soviet Russia.

Free World Record and Soviet

We Americans want peace. We want to be secure and prosperous. We seek no territorial conquest or aggrandizement of any sort. We do not aim to impose our economic or political system on any other country, small or large. We prize our freedom and we are willing to defend it and at any cost. And we will be happy to see all other peoples enjoying freedom, peace and prosperity. We are willing and able to help them share these benefits.

The record is clear. The American people have never hesitated to aid the people of other countries, regardless of their political persuasion. The history of Soviet Russia provides a case in point. In Lenin's time, Soviet Russia paid glowing tribute to America's role in saving the Russian people in the terrible famine following the Communist revolution. We have provided generous assistance to other nations, whether Communist or free, whether in alliance with us or not. We have given our full share of sacrifice in two World Wars, and we have made peace without demanding or taking any spoils. The record is unchallengeable.

America has no aggressive designs, now or in the future, against Soviet Russia. No other free nation entertains such a foolhardy notion. If there can be any one certainty in international affairs today, it is this: that the free world is willing to live and let live.

Now, let us look at the Soviet record. During the last World War, it entered into a nefarious pact with Hitler to carve up Poland. It was not until Hitler turned against Russia and invaded it that the Communists opposed his aggression. If it had not been for our intervention in the war, Soviet Russia might have been utterly crushed. Since the end of the Second World War, Soviet Russia has repudiated every agreement with her former Allies. She seized and dragged behind the Iron Curtain nation after nation along her borders. She suppressed with brutal and overpowering force revolutions of the freedom-loving people of Hungary, Poland and East Germany.

The Kremlin aided and engineered the Communist conquest of China. It instigated and abetted the war in Korea. It planned and supported the capture of vast territories in Indo-China. It financed and fomented aggression and tension in the Near East. At the same time, Soviet Russia has carried on an unceasing campaign of subversion and hostile propaganda against freedom throughout Europe, Asia, Africa, Latin America and here in our own country. Moscow invented and initiated the cold war. It was Soviet Russia that forced the first Berlin crisis which we overcame with the airlift. It was Soviet Russia that precipitated the new Berlin crisis to which the Summit Conference must now address itself.

There have been changes in the faces in the Kremlin, but not one scrap of evidence of any change in the fundamental Communist determination to dominate the entire world by every available method, even war. There have been changes in the Communist line, but not a single act of good faith. The Soviet's offer of peace co-existence rings hollow when Russia's entire national effort is concentrating in achieving superiority in aggressive military production. Khrushchev's sweeping proposals for world disarmament sound alarming rather than reassuring, when he refuses to allow adequate inspection behind the Iron Curtain to check on compliance.

The Soviet record is a record of deeds that cannot be justified in words.

The Soviet program of co-existence is a program of words that have never been made good by deeds.

Labor Knows Meaning of Communism

We in the trade-union movement are familiar with the hocus-pocus of the Communists' terminology. They speak in terms of a "people's democracy." They act in terms of ruthless dictatorship. Their system chains the farmer to the soil and freezes the worker to his assigned job. It robs the people of the fruits of their production and their basic liberties. It stifles freedom of conscience and the intellect. It concentrates total political power and economic power in the hands of a narrow dictatorship to which the people at large are enslaved. It takes no stock of either human rights or human life on the theory that the end justifies the means. Today it is desperately concentrating on the means of producing an end to freedom on earth.

America and the free world cannot afford to underestimate Soviet strength, military or economic, nor should we become overawed by that. We have what it takes, we can produce what it takes, to win the struggle for freedom. The greater danger is default, rather than defeat.

What is the basic issue between the two great powers, Soviet Russia and the United States? What is the fundamental difference in the military problem?

America's entire military effort in the past decade has been and still is strictly defensive. We are arming not to attack but merely to retaliate effectively if we are attacked. It is unthinkable, completely beyond the realm of possibility, that America should strike the first blow that might lead to a third World War.

All available evidence as to Soviet Russia's military activity points in the opposite direction. Communist power is geared primarily to attack. Its weapons are offensive rather than defensive.

That is true not only in a military sense but also of Soviet Russia's economic and diplomatic strategy. Khrushchev has publicly threatened to bury us. His propaganda machine has broadcast torrents of hate, abuse and provocation against the United States. In waging the cold war, his ambassadors and top lieutenants have taken advantage of every opportunity and every forum to insult and injure our country. Thus, even if we lean over backward to be tolerant, objective and understanding, we cannot escape the conclusion that Soviet Russia's overall policy toward America and the free world is built upon naked aggression.

How can we cope successfully with this aggressive attitude? How can we discourage the Soviet leaders in persisting in their belligerent course? How can we, above all, make certain that they will not plunge the world into a war of devastation? These are the overriding questions confronting leaders and the people of the free world.

Negotiate—But as Realists

We of American Labor favor taking every necessary, every practical and every safe step to prevent war. If war does come, no one will be spared. But the workers of the free world, not only because of their numbers, are bound to become the mass victims. The trade-union movement, therefore, firmly believes that our Government should negotiate with Soviet Russia at the Summit and at every other level.

But let us negotiate as realists!

Our country, together with the rest of the free world, can negotiate effectively and serve the cause of peace only if we are strong. If we hope to lead the way to security, we must lead from strength. Behind their front of bombast and truculence, the Communist leaders consider themselves the only true realists. They have nothing but contempt for our adherence to honor, good faith and moral principles. They respect only one thing: strength.

The great task and responsibility of our leaders at the conference table will be to convince the Communist leaders that we have the determination, the resources and power to defeat any aggressor. They must serve notice on Khrushchev, once and for all, that the free world will proceed, at whatever costs, to achieve overwhelming superiority, militarily, economically and technologically in order to preserve world peace and human freedom. Only then will the danger of aggression and war be reduced, and the prospects for peace, freedom and security be improved. Only thus it will be possible to prevail upon the Soviet regime to accept an effective and enforceable disarmament program.

If, on the other hand, the free nations begin to retreat at the Summit conference on the future of Berlin, or on any other major issue, it will be interpreted by the Communists as a sign of weakness. It will merely sharpen their appetite for further conquests. Appeasement of Khrushchev at the Summit will prove just as disastrous for the cause of peace and freedom as was the appeasement of Hitler at Munich in 1938.

The negotiators for the free world, we are confident, will be alert to the manifest and ever-present danger. Experience has taught us that we cannot lend credence to Soviet promises without the collateral of actual deeds. We have seen too many

switches from belligerence to cordiality and back again to place any reliance on the mere pretense of friendship. This time, we insist on proof. No good cause would be served by the issuance of official communiques from the Summit, paying lip service in pious platitudes to the mutual desire of all the nations for the preservation of peace.

Tell the People the Truth

It is time for the leaders of the world to tell the honest truth to the people of the world, no matter how painful it may be. The appearance of harmony cannot be accepted at this late date as an adequate substitute for actual progress toward agreement in substance. Smiling photographs and public handshakes can perpetuate a monstrous fraud if they do not indicate anything deeper than surface politeness. Such political circuses are bound to raise false hopes and relax our guard when we can least afford such self-deception.

It would be naive for us to expect too much too soon from the resumption of top-level talks. There is no magic formula in sight for the immediate solution of the major problems that beset the world. The best we can hope for is a gradual subsiding of international tensions through a step-by-step program of acts of good faith by both sides. The road to peace will be an uphill climb all the way.

Labor's Proposed Program

In the final analysis, we must rely primarily on our own effort. We cannot bank on any Soviet concessions given in false coin. With this uppermost in mind, the American trade-union movement earnestly recommends the following specific program:

- 1. Our country and the free world must acquire adequate military strength to deter and, if necessary, to defeat any aggressor. What we need, not what it costs, must be the determining factor.
- 2. NATO must be revitalized and broadened into an organization for promoting effective economic, scientific and cultural, as well as military, cooperation among its member states.
- 3. America should exert stronger leadership in an international program to promote peaceful uses of atomic energy, harnassed to modern industrial techniques.
- 4. Colonialism must be systematically eliminated and the nations thus gaining independence assisted in raising the living standards of their people through industrial and agricultural development. Only an unceasing struggle against racial discrimination in the United States will enable our country, as a democracy with anti-colonialist traditions, to win the full trust

and support of the captive peoples of Africa, Asia and Europe.

- 5. Every effort must be made to secure even limited reduction of armament, provided effective international inspection is guaranteed. Our goal should be the banning of military atomic tests, an end to production of nuclear and other weapons of mass destruction, and the genuine reduction of land, sea and air forces.
- 6. The U.N. should be strengthened as an instrument of world peace, and empowered to implement its decision on vital international problems.
- 7. Under U.N. supervision, free elections should be held in every area or territory in dispute, in Asia and Africa, as well as in Europe, to settle existing problems peacefully, democratically and finally. This is the only just and practical method for reunification of Germany and, thereby, the solution of the Berlin problem.
- 8. It is most urgent that America cement closer ties with our Latin American neighbors, on the basis of equality. By helping to promote economic development and to raise living standards, we can strengthen democratic forces, discourage dictatorships, and unite the continent as a more effective stronghold of peace, freedom and well-being.
- 9. Our Government together with private industry should pursue a clearcut policy of stepped-up economic growth. Only thus can we meet the needs of the defense program and our increasing population. Only thus can we carry out our obligations to preserve peace and promote a better way of life for mankind.

(Applause.)

CHAIRMAN HARRISON: Thank you, President Meany, for the most enlightening and instructive remarks to the members of our conference this morning. You have made a most valuable contribution to our conference.

Now, the members of the conference may have an opportunity to comment on the views expressed by President Meany, and if you wish you may ask some questions. The Chair will recognize any delegate that wishes to comment.

Vice President Jim Carey.

JAMES B. CAREY

MR. CAREY: Mr. Chairman, President Meany, distinguished guests, fellow officers and the other leaders of American labor:

We are gathered here, in one sense, as a group that has demonstrated talent in the field of negotiations. We found it necessary to organize and to negotiate with employers, even though

we were aware that at the first opportunity some of those employers would seek to break the agreements. They made it difficult to arrive at agreements and to execute them; but they gave us experience in administering agreements.

We are part of a nation that celebrates—as we do today in this Conference—our emergence from colonial status. We have respect for our mother country and we have respect for the countries from which, in the days of the American Revolution, our nation received aid, countries like France. That does not necessarily make us so obligated to England or to France that we do not recognize our obligation to help the oppressed people of those countries and those peoples emerging from a state of colonialism in Asia and Africa—or to help those people in South America seeking the democracy they have long aspired to.

Our nation, under its present budget, will expend a tremendous amount of funds for defense purposes. In fact, the majority of our expenditures by the Federal Government will be for that purpose, about \$45 billion.

Compare that expenditure, if you will, with the Federal expenditure for labor, welfare and education of \$4,700,000,000. Add to that an expenditure of \$5 billion for Veterans Services and Benefits. But let us also remember the suppression of social and political gains, based on the idea that any little wage increase or an increase in the coverage of the Federal minimum wage will be inflationary; likewise Social Security.

All these are claimed to be inflationary in the face of the huge inflationary expenditure of \$45 to \$50 billion for defense purposes.

Emerging Nations Need Our Aid

But we have countries emerging in Africa as well as Asia, and situations in South America, which deserve the attention and help of this nation—not solely because it must be done as an off-set to the Communist threat but because of the demonstrable need of these countries in their infancy and their difficulty in getting aid. And the kind of aid they desperately need is the kind of aid that we're particularly good at, aid of an economic nature.

I ask that we recognize that the threat today is not just that of the Soviet Union. Russia, too, has fears. Imagine with France now developing atomic weapons, Germany, Western Germany, being given atomic weapons. The Soviet Union may fear that it is necessary that Communist China get them, even Poland or Eastern Germany. Then the threat develops. Since these atomic weapons can operate in several directions, quite possibly the Soviet Union should fear the people of Poland getting atomic weapons, or the people of Eastern Germany, or Communist

China; just as we have fears that France, now developing atomic weapons, might use them in suppressing the emergence of peoples in areas of Africa.

I do not think that enlarging our disbursements for atomic weapons, or providing those atomic weapons even to our allies, is the best way of assuring peace. I think we have to expand our activities, as President Meany put it, in the fields of assisting those emerging countries to develop their freedom and democracy. For the aid that France gave us in our Revolutionary days, I think we owe an obligation of freedom—freedom of the people—to the subject people of France. And we owe particular obligations to our Good Neighbors to the South.

I recognize that our Government is ill-equipped to engage in negotiations with the Soviet Union. It is unfortunate that some of the people here in this room will not participate with Eisenhower and others in the Summit Meeting. A great number of people in this nation now recognize that you can't get properly equipped for negotiations on a golf course in Augusta, Ga.; and you cannot, moreover, get particularly equipped to defend democracy if the golf course is a segregated golf course. But I respect Eisenhower for interrupting his golf game to come up and throw out the first ball at the opening game in Washington, and then fly back to the golf course in Georgia.

I vigorously support the idea of labor holding such Conferences as this, and especially the idea of labor making demands upon its government to provide labor a voice where that voice will count; and I am thinking particularly about labor's limited participation in our delegations to the United Nations and the limitations imposed upon labor on a recent official junket to South America.

Yet I hope that this labor movement will demand and receive an adequate voice in areas where decisions affecting labor and working people are made—in the areas of government and in areas of our relations with other nations of the world through the United Nations.

When I consider the resources made available to the International Confederation of Free Trade Unions, I wonder whether we are doing all we can to help in developing freedom, and to carry on a war against misery and sickness. I wonder, too, whether we cannot find ways of insisting that the people of this nation be better informed about these affairs and about the important decision they have such a tremendous stake in.

Mr. Chairman, I hope our speakers and the discussions will be carefully listened to not only by the delegates and by union members wherever the printed word reaches, but also by officials of our Government. It is important that the Government listen, because the labor peoples of the world are the ones who pay a terribly high price when representatives of Government make mistakes.

(Applause.)

CHAIRMAN HARRISON: Thank you, Brother Carey. Any other delegate? Any further comment?

MR. HARTNETT: Mr. Chairman.

CHAIRMAN HARRISON: State your name, please.

MR. HARTNETT: Secretary-Treasurer Hartnett of the International Union of Electrical, Radio and Machine Workers of America.

CHAIRMAN HARRISON: All right, Brother Hartnett,

AL HARTNETT

MR. HARTNETT: Mr. Chairman, I would like first of all to offer what I think is probably a typographical correction in the speech made by President Meany. There is at least one sentence in there which can be interpreted to indicate that we are nothing but a bunch of defeatist people who have already sealed our own doom. That sentence which reads on page 4 of the printed copy: "But the workers of the free world not only because of their numbers are bound to become mass victims," I'd like to suggest that perhaps we ought to make it apparent and clear that we believe that all of the workers of the world can become victims and not just the workers of the free world.

Now the second thing I would like to suggest, Mr. Chairman, is that I feel it is an excellent program. I think, however, that we can add one ingredient to make it go as far as it ought to go. Before suggesting the ingredient I would like to propose—I make it clear that I don't feel I have to defend myself against any possibility that people might think I am sympathetic to the Communists but I do make it plainly apparent that I believe we cannot ignore the existence of the Communist forces of the world. I believe we must recognize by looking at the past sometime that the Communists are here and are probably going to be here for sometime to come in the governments of the world. I believe that someday we will have to learn to live together. Likewise, I believe that we will learn to live together more quickly by association one with each other and I would like to see included as part of this program the suggestion that we engage in cultural and other types of exchanges between our people so that some kind of a contribution can be made to understanding of the needs of our people. My own feelings are that all too frequently a bad image of America is permitted to grow up in the Communist countries of the world as well as in some others. This is made

obvious and apparent, I think, probably because of the kinds of people who are turned loose on the Continent of Europe, or some other continents which become the representative picture of America as these people see it. I believe they need to see American workers. I believe that they need to see the average American family. I believe in seeing it they might accept it. I think that being accepted each of us by the other that we will have substantially contributed to a decline in the tensions that surround the world today. So I would suggest, Mr. Chairman, that we ought to think positively about including in our program suggestions for exchange on a constructive basis—not for purposes of infiltration—not for purposes of subversion, but for the purpose of building a better friendship between the people of the free world and the people presently behind the Iron Curtain.

(Applause.)

CHAIRMAN HARRISON: Thank you, Brother Hartnett. Any further comment? Any questions? President Meany.

GEORGE MEANY

PRESIDENT MEANY: I would like to comment briefly on the question of cultural exchanges. This, of course, is a topic of conversation and has been for some time. Numerous groups representing the arts and some business people have accepted this idea of cultural exchanges. However, I would like to point out the position that we in the trade union movement have taken.

We have been associated with other free trade unions of the world for more than half a century. We associated ourselves with them on the basis of two factors: one, the traditional sympathy of workers all over the world for each other as workers, the concern of American workers in the problems of other workers in other parts of the world; and secondly, we associated ourselves with them because we felt that we and they had something to gain from that association, that if we could raise the level of the standards of life of workers of other parts of the world, it would, in a sense, be making secure the gains or achievements we have made in advancing our standards of life.

In 1914, at the Convention of the American Federation of Labor, in Philadelphia, Pennsylvania, Samuel Gompers introduced a resolution under his own name. It was Resolution No. 1. It was a very unusual procedure for the President of the American Federation of Labor to introduce a resolution. However, he did. This was just about 60 days after the start of World War I. In that resolution he pointed out the community of interest of workers all over the world. He pointed out that wars sprung in many cases from the fact that there were different conditions of life, that there were some people who had nothing while other people had a great deal, and it was a fact that the

people who had nothing coveted a better life and coveted perhaps some of the territory of other people who they felt were better off.

He suggested in that resolution that the war, even though it was then only two months old, would one day end and that a peace conference was inevitable—whenever the end came. He proposed that at the peace conference, machinery be established for an international organization dedicated to the idea of raising the living standards of the common people of all nations. As a result of that resolution, in 1920 or in late 1919, at the Peace Conference of Versailles, some machinery was established by the peace treaty. In 1920, a few months later, in the city of Washington, the International Labor Organization came into being. That organization, as you know, is the ILO. It is still alive, and it is dedicated to the idea of a community of interest between workers all over the world.

So we have an obligation to workers—those behind the Iron Curtain as well as those outside the Iron Curtain. Today, we have millions of our former friends—people whom we know and with whom we were associated in international affairs, workers whom we helped and with whom we conferred and whom we looked upon as brothers who are now prisoners of a vicious dictatorship. When we think in terms of cultural exchanges, this is one factor that enters into our minds. These people like all humans never give up hope. They hope some day to be free, and they look to the workers of the United States of America as the leaders in the world of free labor to help them in some way. We get into these countries communications; we get literature to them to let them know what American labor is doing, what it is saying, resolutions that are passed, and so on and so forth.

So when we think in terms of cultural exchanges, we must of necessity think how they would feel if we decided to fraternize and "socialize" with their captors, with their oppressors, with their jailers, if you please.

(Applause.)

It is all very well for the bankers and the bankers' associations and the other business associations, but we have a special responsibility in this field because we cannot plead ignorance. We know the situation.

With Whom Could America Talk?

Then, of course, there is another question: When you fraternize, when you exchange on a so-called cultural level, you must have someone to talk to. We have no objection to our Government talking to the Government of the Soviet Union. We hope that they never stop talking, because if they stop talking, maybe we will be in for something worse. It would be suicidal, knowing the possibilities of atomic warfare, knowing the capabilities

of both sides in terms of human destruction, to advocate that our Government stop talking to the Soviet Union, but that is government-to-government.

We hold to the theory that there are no representatives of trade unions in the Soviet Union—only representatives of Government.

(Applause.)

And the officers of the so-called trade unions in the Soviet Union represent the Government. The trade unions are not what we think of as trade unions. They are instrumentalities of the Government. They tell the worker how much he is to turn out for a day's production; they tell him where he is going to live. They tell him where he is to go on his vacation, if he gets a vacation; and they tell him where he works, he has no right to change his job. So the people, who have the title of officers of these "trade unions" are not trade unionists in our sense of the word; they are representatives of government. And if they want to come here, let them talk to representatives of our Government; they are not going to talk to me.

(Applause.)

CHAIRMAN HARRISON: Thank you, President Meany. Any further comments? Very well, we will go on with the conference. You want to have a few minutes. Our 30 minutes are up.

NELSON COX

MR. COX: Mr. Chairman, President Meany, fellow seekers of peace:

I believe, as far as I know, that I am the only Canadian here in this hall. I have been assigned by my international union to attend this conference and to learn what I could from you, our American cousins, and if I may, leave with you the opinions of Canadians in respect to matters of world peace.

I deem this a great honor to be here, when so many people will leave their homes and come to a gathering such as this to discuss this very, very important question, the all-important question.

I believe that I would be remiss if I did not endeavor to convey to you the attitude and opinions of Canadians as I know them to exist throughout at least the trade union movement, which is the great spokesman today for peoples all over the world. The opinion of Canadians is just simply this, fellow trade unionists, that we as trade unionists, that our great institution, that of the trade union movement, has grown beyond its original concepts. We have grown, the real, thinking people of the world. Not any

more do we just merely confine ourselves, may we confine ourselves, to speak of matters economic solely, but of all these things that pertain to the survival of mankind, the matter of peace.

I endorse most heartily the sentiments expressed by President Meany this morning, in that you and I as individuals must consider all matters as they pertain to the things necessary to be done to promote world peace; that your opinion, that my opinion, that your action and my individual action, is the all important action that can be taken, because what you and I do and what you and I think, in the final analysis, multiplied by all of those in a similar position, finally represents that great media, that great weight which finally will be the answer to Communism, to all the evil establishments that are present throughout the world.

One other point, I also leave with you, is (I believe it is your thought, too)—that the great privileges that are ours, the wheat and minerals of the world that the good Lord has seen fit to place on our portion of the earth, do not belong to us; they belong to all men everywhere. We hold the bridge to life. We have need to fear the atomic bomb, but we have the truth, and the great truth will be sufficient. I thank you fellow delegates.

CHAIRMAN HARRISON: You have just heard from Brother Nelson Cox, from the Barbers' International Union. He is the representative of that union to this conference and he comes to us from Canada. Thank you very much, Brother Cox.

(Applause.)

CHAIRMAN HARRISON: Before presenting the next speaker to our conference, I want to take just a moment to introduce a distinguished visitor that we have in attendance at our conference: the president of the International Confederation of Trade Unions, who has honored us by coming to our conference this morning, Mr. Arne Geijer, president of the International Confederation of Trade Unions.

(Applause.)

MR. GEIJER: President Meany and fellow delegates: It is a great honor for me to be here this morning and to listen to the discussions about the world problems. I appreciate it very much, and I bring to you the best regards from the great organization, the I.C.F.T.U.

(Applause.)

CHAIRMAN HARRISON: Now, I want to present the next speaker. He comes to us after a long, long period of experience in the international field. He has written extensively on international problems, and he has taught at a lot of universities on world problems. He has been a professor of history at Columbia University for some 30 years.

Professor Tannenbaum, who will now address you, has also personally had the opportunity to observe at firsthand, because of his world-wide travel, many of the problems in the international field. He has traveled extensively in Latin America. He has written several books on the various phases of world affairs, and this continent.

So, I take great pleasure in presenting this distinguished teacher and this great American to our conference, who will now address you on "Inter-American Unity and World Freedom." Professor Frank Tannenbaum.

PROF. FRANK TANNENBAUM

"Inter-American Unity and World Freedom"

MR. TANNENBAUM: Mr. Chairman, President Meany, members of the American trade union movement. I consider it a great privilege to be here today, and it is a long time since I have seen so many labor people together in one room. The last time was in 1924 at the El Paso convention of the American Federation of Labor. I remember seeing Sam Gompers presiding over that meeting. I recall that as one of the most interesting experiences of my life.

I have a written speech, which I am going to try to read. I don't read very well, so if I stumble in the middle, you will forgive me. If I stumble too much, I will stop reading and just talk.

There are many good reasons why the United States and Latin America should live at ease and comfort with each other. They are new nations in the "new world." They were founded at great hazard by European conquerors and immigrants who abandoned their old homes for good because here they thought to find a new way to heaven on a new earth.

The Europeans who settled this hemisphere had much in common. They tore up the roots of their old tradition to start a new life in the wilderness, jungle, mountain and desert that needed taming before it could be lived in.

All Americans had to make their peace with the Indian, and in more than one sense, the task remains unfinished. So, too, they had to salve their conscience about Negroes they enslaved and mistreated, and this story also remains unfinished. But the presence of the Indian and the African has so deeply influenced American experience that all of the people of this hemisphere are different from those they left behind in the old world.

It is impossible to think of the culture either of North or South

America stripped of the deep imprint made by Indian and African peoples. All of this we have in common. But we have also shared the adventure of occupying a new continent, of wide empty lands stretching to the end of the horizon, of the pioneer, the cowboy and the rancher. American experience, different as it may have been, has a basic identity.

All of our nations were created by the people themselves as a deliberate act of will. All of them began in a revolution against a king in Europe; all of our great national heroes are rebels against a foreign ruler. Washington, Bolivar, San Martin, Father Hidalgo each in his own way helped shape a world where the individual was a citizen of a nation rather than a subject of a king. In all of this there is an emphasis upon the idea of the equality of nations in the new world and in spite of the way the Indian and Negro were treated, an emphasis upon individual freedom and human dignity.

From the earliest day, our republics were committed through constitutional sanction to the defense of human rights and individual freedom, and because man is blind to his own failings and contradictions, it was possible to lay down one's life for independence and liberty and stand by injustice to the Indian and slavery for the Negro. But the inner impulse was for equality of states, for representative government, for a federalism that would guarantee to each state its territorial security for mutual defense and for national sovereignty. Taken in the large, America, when compared to Europe, has been a peaceful part of the world.

Serious wars between nations have been few and the impulse for some sort of intercontinental agency to preserve the peace and defend the integrity of nations goes back to the days of the independence movement, when Bolivar called the first Inter-American Congress in Panama in 1826. The organization of American states, whose charter was finally drawn up in 1948 in Bogota, has a long history. The earlier gatherings from 1890 when the Pan American Union was formed to those of 1933 in Montevideo, 1936 in Buenos Aires, where the principle of non-intervention was adopted, and 1947 in Rio de Janeiro, were all preparatory to the confirming of a fully fledged regional system of national defense, territorial integrity, political equality and independent sovereignty.

States Are Politically Equal

The doctrine of non-intervention precludes interference in the internal and external affairs of any nation singly or collectively for any reason whatsoever. Only in case of invasion from outside or from inside the hemisphere, or the danger of war or the threat of an American nation falling under the control of inter-

national Communism can collective intervention be called into being. The American nations have, therefore, a regional "federation" dedicated to mutual security, political equality, territorial integrity and freedom from intervention.

The charter of the O.A.S., the Organization of American States, also pledges the organization to the advancement of representative democracy and a special treaty commits the various states to maintain the rights and dignity of man. In its deliberations, the O.A.S. knows of no great powers ensconced in a security council. Haiti is politically equal to Brazil or Ecuador or to the United States. This may seem unrealistic. But in the growth of a political tradition it may be as important as the early insistence upon the political equality of Delaware and Pennsylvania in our own system, for the concept of the coordinate state is a preliminary to any working and enduring federal system, no matter how tenuous it may be.

If the Western Hemisphere is to have a mutual security system, it can surely rest only on the sense of equal identity of all the nations in America. The system may contain strong and weak powers, rich and poor nations, but it cannot contain a hierarchy of political rights and privileges. There can be no nation greater and others lesser in dignity, or in rights. In securing organizations of sovereign states, each is coordinate with the others. That is the only condition on which they can perceive a common interest and recognize a common destiny.

Politically, the United States and Latin America have gone a long way to fulfill an aged-old dream: that the strong and the weak nations may abide in peace and without fear. Ours is the oldest international system in existence and has shown itself to be increasingly effective. The difficulties that confront the United States and Latin America are of a different order. They are economic and social, and a failure of leadership on both sides of the border. It is difficult to assume and to go on believing that mutual confidence and common ends can continue to exist between the United States and Latin America, when the economic gap between them is so wide that it seems unreal.

Income Gap Widening

Whatever the figures mean—I must say I am not sure I know what they mean—they are stated as follows: the average annual income in the United States is \$2,200 per person, while in Latin America it is \$200 per person. Now whatever these figures mean, it is a difference between \$2,200 and \$200. And to all intents and purposes, this gap is widening. The rate of growth of the economy in the North is such that the people in the South, even if their real income is increasing, are still relatively poorer than they were before. This is a general statement for many nations.

There are exceptions: Venezuela, Argentina, Cuba and perhaps others. But for the area as a whole, the general proposition remains true. Nor is there an easy way out of this dilemma. The population in Latin America is growing faster seemingly than in any other part of the world. It is doubling every 30 years, and in some countries, Mexico among them, every 20 or 25 years. At the present rate of growth, Latin America will have about 300,000,000 people in 1980 and 500,000,000 in the year 2000. This is a forecast and not a guess. And the population south of the border will be larger than that of the United States and Canada combined.

The area of Latin America would have to increase its real income by a hundred percent, and some countries by more than a hundred percent, every 30 years, to remain as poor as it is now. And for some parts of Latin America, it will prove difficult not to fall into greater poverty with the passing years. A recent study competently done and published locally suggests that in Chile—and I want you to listen to this—the "average consumption per person was about 10 percent lower in 1958 than six years ago," and that at best "it is unlikely" that per capita consumption could catch up with what it had been in 1952-1953 before 1965.

What I am going to say next, comes from another source. It comes from U.N. publications. Taken as a whole, food production and food consumption per capita in Latin America are below pre-war levels, and undernourishment prevails in many places.

The Education Situation

If the picture is bleak on the economic side, it is equally so socially. One or two examples will have to do. About half of the children of school age in Latin America—in some countries less, in some more than half—do not go to school because there are no schools for them. Of those that enter school, about half drop out by the end of the first year.

Most of the children stop going to school by the third year—at best only about five percent of those entering the first grade—and this is an overstatement, I might say—complete the primary school cycle. The other example I cite is this, that in all the large cities, Caracas, Lima, Santiago, Buenos Aires, Rio de Janeiro, and so on, there are hundreds of thousands of people living in shanty town. Two hundred thousand in Caracas according to President Betancourt—without running water, sanitation, electric lights or schooling. Or if you prefer, with such an insufficiency of these as to make the situation deplorable from the point of view of the public and pitiful individually.

Under these circumstances, it is not difficult to explain why

there is so much misunderstanding between Latin America and ourselves. For in their innocence, or if you prefer their malice, some of their leaders blame us for their poverty and lack of growth. While some of our leaders are either indifferent, unaware or, on occasion, smug about the situation, and explain it all by the presumed laziness, if not by the natural inferiority of the peoples of Latin America. Clearly, neither side has been prepared to face and deal with reality.

Latin Americans have a completely distorted image of the United States. They think of this country as they knew it in 1900 or 1910. They remember the days of the "Big Stick," and of the many interventions in the Caribbean and Central America. This image of the United States has been strengthened in recent years by our tolerance of Latin America dictatorships. I have said tolerance rather than support which Latin Americans declare it to be. At a public meeting some years ago I rose in opposition to the bitter attacks against the United States and said, that so far as I knew, no Latin American dictator had been born in Washington. I was immediately put in my place by a very eloquent speaker, I may say, and was told that if they weren't born there, that was where they were baptized.

Whatever the reasons, and they are not simple, the fact remains that the vast majority of Latin Americans believe that we favored the dictators. Certainly some of our ambassadors seemed to have made it a point to hobnob in public with the dictators, when they and the rest of the world knew of the horrors and cruelties that were being committed by their governments.

I point now to what happened in Cuba during the Batista regime. A professor in the University of Havana said to me: "You know, in the last two years, they" (the Batista officials)—I am asking you to listen to this because this is painful—"killed 100 of my students and tortured half of them."

And recently a dozen journalists from Venezuela were denouncing the United States for going out of its way to decorate Perez Jimenez, the dictator of Venezuela, while some of them were in prison and while some of them were being physically abused.

It almost sounded as if they believed that our Government decorated Perez Jimenez just because he imprisoned and tortured them. The American image gets itself distorted when things like this can be said or even thought.

We Help Equip the Armies

This question of dictatorship has been complicated by our policy of equipping the armies of Latin America with modern arms, with tanks for Batista, for instance. Whatever the good reasons we had for doing this, the effect has been to strengthen the local armies and to freeze them on the governments. Nobody can now overthrow the president except the army, which means that no one can become president unless he is acceptable to the army. It also means that what local opposition there might have been to keep a government from becoming too oppressive has now become impotent. The locality can do nothing against the newly equipped army. We have, in fact, helped to saddle the military upon Latin American governments, and it will not be easy to change our policy or to lessen the great burdens of maintaining a large military establishment out of a poor budget.

The liberals in Latin America used to argue that the United States was, in fact, arming its enemies, for the only real friends of American democracy are those who believe in democratic institutions. We were told many times that strengthening the armies in Latin America was a political error and that it would identify us with the enemies of democracy and with opponents of freedom. Certain policies we have pursued in the best of faith have not improved our image, and those who have been injured have long memories.

Latin Americans still remember the exuberant days after the Spanish-American War, when the air was filled with talk of American expansion. They also remember the days when our publicists proclaimed doctrines of "survival of the fit" that imputed the misfortune of poverty, unemployment, illness and old age to those who suffered because they were weak and unworthy of survival.

Latins Unaware of U.S. Social Change

Unfortunately, Latin Americans have not learned of the great revolution that followed in the wake of the New Deal. They have not learned to understand what is perhaps the greatest political revolution in our time: an egalitarian society where individual freedom and human dignity remain undiminished.

Nor have they learned of the wide Social Security systems, which protect the individual against the worst effects of our industrial society, nor of the many controls over industry and finance that attempt to defend the individual against the implicit indifference to human values of large organizations.

Nor do they know of the important influence of our large trade union movement. They still picture us as a Shylock armed to exploit his neighbors without mercy and without pity. Nor have we helped them to a better understanding of the United States.

It is perhaps not unkind to say that our official or private spokesmen in Latin America talk the language of Adam Smith

and Ricardo dressed in the style of the best advertising firms on Madison Avenue. To the Latin Americans, we are made to stand for an absolute individualism, for an absolute competitive free-enterprise system, as if there were no trade unions, no Social Security, no Food and Drug Act, no Security Exchange Commission. If the Latin Americans have a false image of the United States, it is partly due to the failure of those who talk for us to appreciate the change which has been wrought in the United States and to find words to express it.

But the Latin American intellectuals who do most of the image forming have a false view, not only of the United States but present a perverted picture of their own present state of culture and institutional development. They talk among themselves and to us as if they spoke for a free society of equal men, as if theirs was a purely humanistic world faced by a materially driven civilization and indifferent to human values.

They are apparently unaware of the *hacienda* system, where men are still sold with the land, of the great wealth and poverty with inadequate taxation for capital development, of ignorance and poverty, which in part at least is the result of failure of private and public conscience. They seem unaware of political corruption, nepotism and subversion of public interest to private and family ends.

In part, it will be seen, our difficulties lie in our failure to accept reality as it is and in our persistence in talking to each other about ourselves in ways that bespeak an image of the United States and Latin America that does not exist. Getting around the false image is part of the problem. The rest is developing a whole series of policies that would give Latin Americans the prospect of narrowing the gap economically and socially between themselves and the people of the United States. There are many specific projects that suggest themselves.

"Marshall Plan" for Latin America

These can best be put together under a single rubric such as "a Marshall Plan" for Latin America. Such a program would be more difficult to carry out in the southern part of the hemisphere than it was in Europe, for socially and politically, these countries are less able to accept or use the help they cry for.

One aspect of this is their complete distortion of the role of private investment in a developing economy. A great deal of social change is a preliminary to the development of representative democracy and industrialism in Latin America. That, in fact, is the dilemma of the United States, and it is very real. Our help requires and will stimulate profound social change. Any neither we nor the governments of Latin America are prepared to accept the impending change.

I will leave the paper for a moment and just say: we don't realize it ourselves, but we, the American people and the United States, are the most revolutionary force in the world. Everything that we do and the way we are makes people want a better life and more goods. They want the automobiles and the television we tell them about, and the bathrooms, the things you see in every paper and when you pick up in the mass media, in every magazine we distribute.

So, we are as much responsible—we are more responsible than perhaps any other influences in the world for making people in Latin America, and I think it is true in other parts of the world, discontented with their present life. We stimulate the changes in social structure without intending to. Neither we nor the governments of Latin America are prepared to accept the impending change. I would be inclined to guess-nobody knows about things of this sort—I would be inclined to guess, in the next 25 years, we are going to witness a great social change in Latin America. We have got to learn to live with it. For unfortunately we are wedded to the status quo. So in their majority are the governments of Latin America. And yet the status quo if taken literally would make any alternation impossible and provide no remedy for the poverty and social deficiency which is preliminary to mutual confidence between the United States and Latin America.

Our problem is to find a way for the Latin American people to identify us with their aspirations for a better life. The task of the local leadership is to prepare the ground for the needed changes. A differently oriented leadership is required at both ends, and that is most difficult to find.

But when we consider that it has been possible in this hemisphere to work out a mutual security system while preserving the sovereignty of the individual nations, it would seem possible to face up to the task of dealing with the economic and social difficulties so as to make the system effective and working. Thank you.

(Applause.)

CHAIRMAN HARRISON: Thank you very much, Professor Tannenbaum. You, too, have made a splendid contribution to our conference. The Chair now wants to call on Serafino Romualdi for a few remarks on Latin America.

SERAFINO ROMUALDI

MR. ROMUALDI: Mr. Chairman, President Meany, Professor Frank Tannenbaum and delegates:

I am grateful for this opportunity to add a few comments to the analysis of Professor Tannenbaum of the factors that tend to unite and the factors that tend to divide the countries of the Western Hemisphere. I would like to emphasize that we unquestionably consider "inter-American unity and world freedom" as essential, as was so properly indicated in the title of this topic that we are discussing now.

What is today, right now, the greatest threat against inter-American unity? In my opinion the greatest threat today comes from the international Communist conspiracy directed from Moscow, which is taking advantage of the political unrest in Latin America, of the economic tragedy which was so graphically described by our speaker just a few moments ago.

The extent of the Communist threat in Latin America is not realized here in the United States. I want to point out on the last page of the AFL-CIO "Free Trade Union News," which has been distributed this morning to the delegates, an article by John Merrit. I don't know the author, but I would like to say it is a most realistic description of what is going to happen in Latin America unless the Communist threat is stopped as soon as possible by the collective action of the American family of nations. This threat is all the greater because political instability, economic discontent and erupting nationalistic aspirations are offering the Communists a favorable climate in which to operate. In other words, Communism is adding fuel to a smoldering fire.

U.S. Must Help Achieve Better Life

The United States must help satisfy the long frustrated aspirations of the Latin American workers, white-collar employes and intellectuals for a better economic life. They want, as attainable goals in our time, a standard of living comparable to the one prevailing in the industrially advanced countries of the free world.

It was pointed out by the speaker, but it is not realized here in the United States that in the last ten years in Latin America workers, peasants and white-collar employes have all suffered a reduction in their standard of living because of inflation. Their pay envelope is smaller now than it used to be. Their purchasing power is less. Even our own trade unionists in the United States seem unaware of the fact that the working people in Latin America never have received wages and salaries that would permit even a very small percentage of saving. The barely subsistence wage is the rule.

The Communists are aware of the fact that a successful effort by Latin American countries, aided by the United States in bringing about a substantial increase in the standard of living, will end their chance to extend their influence and role. I am, therefore, in agreement with the proposal advanced by Professor Tannenbaum for a sort of Marshall Plan for Latin America. This has been recommended by a number of leading democratic statesmen in the Western Hemisphere.

In order to prevent the success of any measure for economic recovery, the Communists concentrate on the political front. They try to smash the inter-American system as represented by the Organization of American States. They try to divide the United States from Latin America. They devise all sorts of slogans. History is falsified. Old wounds are being re-opened. The passion of economic nationalism is being nursed. The youth is brainwashed. In other words, everything that could divide the United States from Latin America is being promoted by the Communists.

A number of countries in Central and South America have obviously been selected by the international Communist conspiracy directed from Moscow for a concentrated drive of infiltration with the hope of duplicating there the events now taking place in Cuba. They are aided in this attempt by unlimited financial resources, fanatical manpower and the deplorable economic conditions of the wage earners, which make them susceptible to any type of demagogic, messianic propaganda.

The example of Castro's revolution with its repudiation of inter-American treaties may act as a sort of contagious disease. In some Latin American countries people are beginning to say, "Let's do in our country what is being done in Cuba."

Defend Democratic Regimes

I believe that we have an interest that our Government adopt a more militant policy in defense of the democratic regimes. But it seems that we don't have a strategy. My friends, this has been admitted time and time again.

I was speaking in the University of Caracas in 1958. The chairman of the meeting was Dr. Uslar Pietri, my friend and your friend, Professor Tannenbaum. Our audience was a group of students. One of them raised the issue of the United States giving a medal to Venezuelan Dictator Perez Jimenez. I told him that it was a stupid act on our part to have given such a medal. However, I explained that this gesture, made after the Caracas Conference of the Organization of American States, was more or less of a protocol nature. In fact, 14 other Latin American countries, including Guatemala, which at that time was under Arbenz, gave Perez Jimenez a medal. Yet nobody seems to criticize the action of the Latin American governments.

At the same time, our Government, mainly through the effort and insistence of organized labor, without exception refused to accede to the demands of the Venezuelan dictatorship that we expel from this country the democratic leader, Romulo Betancourt, who was living in our midst as a political refugee.

About three years ago, the government in Caracas again asked the United States to deny the right of asylum to the Venezuelan democratic leaders. Our Government refused. I believe this ought to be put in balance. We did some stupid things but we also did some good. We protected the right of asylum for the democratic leaders.

In conclusion, I believe that we must strengthen the Organization of American States and support the principle of collective intervention to protect human rights, civil liberties and representative democracy. We must strengthen the Organization of American States in their efforts to isolate the threat that now comes from Cuba and fight back the menace that threatens the Caribbean Area and perhaps the whole of Latin America.

Political Prisoners Still Held

The Inter-American Peace Committee, which was charged at last year's meeting of the Foreign Ministers in Santiago, Chile, with the task of looking into the violation of human rights in the Caribbean area, has made public its first report which calls for the liberation of all political prisoners. Although no countries are named, it is a fact that political prisoners do exist in the Dominican Republic, Nicaragua, Haiti and Cuba.

This first report was issued after having 80 hearings at which people from different parts of Latin America and the United States had a chance and opportunity to testify.

I think the United States ought to be encouraged to take the lead, as the AFL-CIO has suggested in many official pronouncements, in presenting a plan for strengthening representative democracy.

At the last convention and previous meetings of the AFL-CIO, we asked our country to take the lead in promoting and strengthening democracy in the Western Hemisphere. If we do this, I believe we can save inter-American unity. Inter-American unity will become a tremendous factor in the struggle between freedom and totalitarianism.

The battle to save inter-American unity must be waged and won simultaneously on the economic and political fronts. We must satisfy the hunger for bread and also the hunger for freedom. Thank you.

(Applause.)

CHAIRMAN HARRISON: Thank you very much for your contribution to the conference. Any further comment? State your name, please.

VICTOR REUTHER

MR. REUTHER: Victor Reuther of the United Auto Workers. Brother Chairman and fellow delegates:

I think it would be a tragic mistake if we become victims of oversimplified slogans, which do not offer a hope of bringing us nearer to resolving the tensions in the world. If we can't have a clearer vision of the problems that confront us in our own backyard in the Western Hemisphere, how can we presume to bring reason to bear in the more distant parts of the world?

I hold it is an oversimplification to attribute all of the current evils in Central and Latin America to the Communist conspiracy. True, Communists are eager to fish in troubled waters and stir them up, and also where they may be placid, but the problems that plague us in Central and Latin America pre-date the Russian revolution and to a large extent are of our own making. When I say our own making, I mean those who have presumed to speak in our behalf. The record of the United Fruit Company and its dealings in the banana republics has contributed immeasurably to this distorted view of what America is and what it stands for.

We have to live that down. All too often our spokesmen, our representatives in distant parts of the world have been those who have been obsessed with trade and trade advantages and not in presenting a balanced view of America.

Our country has been born in revolution, and therefore when revolutions of the same character have their beginnings in other parts of the world, as a nation we are more frightened of them than we are understanding of them. All too frequently we are cast in the light of trying to hold back or prevent these revolutionary developments instead of giving democratic and positive leadership to them. We have the right to expect this from our country, which had its birth in its revolt against tyranny and colonialism.

We should determine to participate in the rising revolutions, in the rising expectations, and share the benefits of democracy. Our record has not been as pure as it might have been and we should live it down, but we shall not live it down by delegating the speaking in our behalf only to the banking community, to only those who may be handpicked to speak in our behalf.

The people in our country must find a way, I would hope in this conference we got beyond the slogans and antagonism. The question is: How do we recast the image of the United States to the people of the world to more accurately reflect our country as it is?

If cur labor movement in the United States merely hit upon anti-Soviet slogans and did not fight for housing, for minimum wages, for our minimum demands in the shops, mines and mills, how much influence would we have in our country?

We have to provide the personal contact, provide the organizational support to our democratic trade-union colleagues in these countries and help them wage the battle for health, for housing, for minimum wages, for their share in the democratic world.

Our record might have been better in many, many instances than it has been. It is well to speak of the fact that we have spoken out against tyrannies of all kinds, Communist and Fascists. But there have been times when we did not direct the revolution as we might have.

Must we always wait until the Communists send their Mikoyan to seek trade deals in Cuba before we become aware how the Cubans have been oppressed—yes, by American oppression?

Or are we concerned with them as people after they are taken over by Communist or Fascist dictatorship? Are we concerned that they enjoy the fruits of modern technology? Then, we should not wait until a Castro comes along.

He has made an excellent revolution but is a lousy technician. We waited long while Batista was arresting and killing people. We waited long, doing nothing while trade unionists were strange supporters of Batista.

Perhaps we should have provided clearer direction to the revolution in Cuba. Let us not oversimplify problems by laying them at the doorstep of some new threat that might face us in Latin America. It is not a new threat.

Demagogues are merely around to take advantage of the troubled waters and are trying to ride the band wagon. We need to go back to basic struggles that trade unions used, to provide a positive leadership to people in their search for a full share of freedom and human dignity, their right to share in the technology. This is the revolution that the world is interested in. It is winning that revolution that provides security with freedom and democracy. We need to be four-square on the side of those who are fighting for that kind of freedom and democracy.

(Applause.)

CHAIRMAN HARRISON: Any further comment? Then, we have just about reached our set schedule and conclude the morning session. We will now rest until 2 o'clock when we will hear another of our guest speakers.

Thank you very much for coming, and I urge you all to return at 2 o'clock.

(Thereupon the conference adjourned at 12:15 o'clock p.m.)

PROCEEDINGS

FIRST DAY—AFTERNOON SESSION

Tuesday, April 19, 1960

CHAIRMAN HARRISON: We will now undertake the afternoon program.

This afternoon we will begin with a discussion of the problems of "The Far East and the World of Tomorrow."

We have been exceedingly fortunate in obtaining the assistance of one of the outstanding scholars in this field, Professor David N. Rowe, of the Department of Political Science of Yale University. He will discuss this subject very thoroughly.

Professor Rowe was born in Nanking, China. He has good reason, therefore, to understand, of course, many of the problems of the people of the Far East. He has traveled throughout the Pacific area and knows at first hand, from observation, the peoples and the conditions in Korea, Japan, the Philippines, Hong Kong, Saigon, Indonesia, and India. Professor Rowe has also spent considerable time in the Middle and Near East, and also in Africa, Latin America and Western Europe.

He has taught in a number of our country's leading universities, from California to Connecticut.

We are indeed fortunate in having the opportunity to hear Professor Rowe. Now, it is a distinct pleasure to present to the conference, Professor David N. Rowe.

(Applause.)

PROF. DAVID N. ROWE

"The Far East and the World of Tomorrow"

MR. ROWE: Thank you very much, Mr. Chairman.

Mr. President and ladies and gentlemen:

I feel a considerable amount of diffidence in attempting to discuss a topic as complicated and as large as this one—particularly just after all of you have had what, I am sure, must have been an excelent lunch, after which the only rational thing to do is to lie down and sleep (laughter). I'll try to prevent you from sleeping, but I will not be able to help it if you do lie down on me.

With respect to this subject, "The Far East and the World of Tomorrow," we are dealing with two groups of potentialities for the future. The world of tomorrow will, of course, include and contain the Far East, and it is equally true that the Far East will significantly determine, by its own development into the future, what the world of tomorrow will be. If we can decide what kind of world we want in the future, we will, at the same time, be deciding what kind of Far East we think is possible then, and we are making some asumptions as to how that Far East will be developed, and how it will ultimately fit into influencing the world in general at that time.

When we think about such things, we may drift into mere speculation about the form of the future. Or, what is more dangerous, we may be tempted to indulge ourselves in the luxury of utopian daydreaming. We must carefully abstain from any such tendencies as these. In such case, we can do a great deal of useful thinking about the future, provided we are both knowledgeable and prudent. We must add to our knowledge and have confidence in it, but, at the same time, we must be careful not to trust in it too much since we know its limitations. Granted these precautions, we are wholly justified in thinking systematically about the future, if only because such thinking must and can provide much of the basis for present planning and policy making. This is so because when we think about the future, we deal with at least three different, but related factors. These are: possibilities, probabilities, and desirabilities.

We cannot possibly decide in a responsible way what kind of world we want tomorrow without taking into account the feasibility and likelihood of its achievement. But is it equally true that what we want may become possible and likely if only we want it enough and are willing enough to put behind it everything we have and are?

Thus, our thinking about the future will no doubt result in statements of preference, rooted in our beliefs and predispositions, but qualified by our notions of what is practical and likely. These statements are apt to include quite often such words as "should," and "must"—indicating preferences of different degrees of strength. This is natural and seemingly inevitable, for behind our preferences must lie convictions which are only partially the result of rational mental processes and which depend for their implementation not only upon systematic know-

ledge and wise and prudent action, but also upon emotional fervor or the identification of individuals to their ideals and aims.

Now, seen in this light, what world of tomorrow should we strive for, and how does the Far East enter into, and influence us in this task? Here it is not only necessary but desirable to draw a broader picture. It is necessary because we have time and space for no more but it is also desirable because what we should come up with are formulations dealing with the large and, therefore, general problems of the future.

Must Preserve Nation-State System

I will say first, that in my view, the world of tomorrow must preserve the nation-state system. This is not because it is a perfect system, but because, in spite of its imperfections, it seems to me to provide the only workable basis for the creation and preservation of free, private individualism, and for the socialpsychological differentiation and variegation closely associated with it. The increasing interdependence of states, a tendency that seems destined to become strengthened in the future, does not invalidate the multiple-state system. Indeed, it may be that recognition of their increasing interdependence may prove to be the price of the survival into the indefinite future of these political entities. Be that as it may, the present age is certainly one of remarkable proliferation of nation-states. In the Far East and South Asia alone, nearly a dozen new states have been established since World War II. This has happened at the very time when many of our supposedly most advanced thinkers had already concluded that nationalism was the root of all evil, and could only result in increasing strife between nations, to the detriment of us all.

Now, in defending and supporting the nation-state system, it is quite unnecessary for us to defend all the political entities which are elements thereof. It may well be that certain of the new states which have emerged in the Far East recently will be found to lack the essentials for statehood. Some of them may disintegrate into still smaller units, and others may unite to form states presently non-existent. We should all be happy if these changes could be produced with a minimum of destructive conflict both internal and external. But we must always be reconciled to the incidence of a certain amount of disorder and even of bloodshed in these matters, for they do involve matters of such ultimate argument as many times will preclude orderly compromise.

What we must come down on the side of is the nation-state system itself. There is no substitute for it in the preservation of cultural differentiation, and there is no better system now known to us as a framework within which human liberties may grow. To it, the chief threat in the Far East today and in the foreseeable future is the world Communist revolution with its universalist dogmas backed up by military aggression and political subversion. We have witnessed the destruction of the old imperialisms in and of the Far East in recent years, only to be confronted with the new imperialism of international Communism. Since World War II international Communism has been directly involved in territorial aggression at the expense of newly formed nations, not once or twice, but several times.

We need only mention Korea, Laos, Malaya and India, to remind ourselves how territorially pervasive and how incessant these attacks have been. And in the case of Tibet, while entirely separate nationality was not involved, the attacks of the Chinese Communists have been aimed at shattering in Tibet all those elements of cultural differentiation which so essentially characterize members of the nation-state system. And their crude policies of genocide, of racial destruction in Tibet, reminiscent of Nazism at its worst, can result only in the takeover of Tibet by the Chinese Communists, an example of naked imperialism at its worst.

What can we do to prevent the new nations of the Far East from falling victims to Communist imperialist aggresion? The first thing we must learn here is that no single response to this problem will suffice. Our best response must be a multiple one, judiciously combining in each and every case the proper blend of political, economic and military measures. We must, at all costs, resist the pressure of those who would fix on a single solution to problems such as these. Along this line, there is currently much clamor in this country for the abandonment of measures of military defense against aggression in the Far East. While it is clear that military measures alone are not enough, it also seems evident that they are indispensable. The chief agitators against measures of military defense against Communist aggression in the Far East and for the security of Far Eastern countries seem to advocate an unbalanced degree of trust in the efficacy of economic measures. It is perhaps a mark of the susceptibility in certain intellectual circles to doctrines of primitive Marxism that so many of our thinkers have been led to believe in the determining power of economic factors. To them, the answers to problems of social and political stability, particularly in those areas which they describe as "underdeveloped" may best be found in economic improvement. No one should doubt the social and political impact of economic development in the Far East, even if he must wonder just what that impact really is. We do not know much about that subject, but one of the facts of life in that region today is that military security is an absolute prerequisite to economic development, and that until it can be locally supplied as a partial consequence of all the various processes of modernization in underdevloped countries, it may have to be supplied from the outside, by agreement of weaker or more exposed nations with a protecting power.

Nor do we, I believe, give sufficient weight in our policies toward the Far East to political means of action, in which I include the psychological-cultural activities we should carry on, in and with regard to the Far East, in the process of defending the nations there against takeover by imperialist Communist aggression.

Must Improve Conditions of Life

But I will return to this latter point a bit later on. Now I want to revert to the economic factor, and to say, secondly, that in my view, the world of tomorrow must embody the improve-ment of the conditions of life for the billions of human beings who will populate the earth in coming generations. Most people agree to this and it would be most gratifying if we could evolve an easy formula for achieving it. But while this is impossible. that is not to say that we can do nothing to strengthen our approach to these matters. For Far Eastern countries attempting to improve their economic situation, the magic word nowadays seems to be "industrialization." No doubt this is ultimately desirable, and it may be attainable in some measure everywhere. But I believe that in many cases industrialization has become a shibboleth in the Far East, something to which rather unreasoning worship is given. I fear that great numbers of people in these countries will pay heavily for such an irrational approach to the problem of production, taken in some cases, by powerhungry politicians who see in large industrial complexes a natural outlet for their functions as would-be planners or bureaucratized managers.

It must be remembered at all times that the mode of economic production most prevalent in the Far East is agriculture, and that in most of the countries in that area the vast preponderance of the people gain their living directly from the soil. This has at least two very important connotations or implications. First. if we are interested in elevating the standard of life for these millions of people, we must help to improve agriculture in these countries. We must help to improve the system of agricultural production, and we must assist in improving the income-distribution systems in those countries. There is no use increasing production, only to see all the increases go into the hands of either landlords or the government. We must also see that, whoever gets the profits from increased production, the increases are devoted, at least partly, to the capitalization of new and nonagricultural modes of production. Taxation and savings are the two chief channels through which increases of agricultural production can best be funneled into investment. Such investments

must stress communication and transport at the outset, quite as much as the construction of factories for producing heavy or consumer goods.

Japan and Formosa Examples

To find a model for this type of approach in the Far East to economic modernization we do not have to search far. Modern Japan embodies it to a great extent. The introduction of industrialism into Japan during the past century was to a considerable extent supported by Japanese agriculture, it being a common saying that Japanese industry was built upon the backs of the peasantry. To do this, agriculture had to be developed, too, not only to support a growing population more adequately, but to supply capital for investment in other fields. It is perhaps doubtful whether the conditions in any other Far Eastern country can be the same as those in Japan a hundred years ago. Nevertheless, there is a great merit in approaching the problem of economic modernization through agriculture first, and only secondarily and derivatively through communication-transport and industrial plants themselves.

Taiwan today is another example of this approach. problem of agriculture there has been subjected to multiple solutions: distribution of land to the farmers; the virtual abolition of the landlord class, which has been converted into a new class of business investors: the reduction of remaining rents paid by farmers; and the intensive training of farmers in improved methods of cultivation. All these reforms have greatly elevated the total and per capita production of agricultural goods and raised the level of living in Taiwan to where it is second in Asia only to that of Japan. The part played by Chinese-American cooperation in bringing about these changes must be a matter of great pride to us. This model could well be imitated in other Far Eastern countries. Its obvious logic is to be seen in the fact that though Taiwan has benefited from much American aid, it is now about ready to exploit its new productivity. particulary that in agriculture, as the base for industrial development designed in the not-too-distant future to enable it to take off into virtual economic self-support.

By contrast, those Far Eastern countries which are unable, or refuse, to attack fundamentally their agricultural problems, and which will depend seemingly indefinitely upon tributary relations in the field of foreign trade and capital accumulation, are simply deferring the solutions of fundamental problems. Or, what is worse, they are attempting to proceed directly into industrialization, usually of the heavy type, without even beginning any general and fundamental modernization at the grass roots, into which industry may fit in a complementary and implementing fashion. Of course, the Communist regimes.

such as that on the China mainland, will doubtless persist in premature and unbalanced development of heavy industry if only because they envisage it as the surest quick way to military power. They clearly intend to employ their new armed power in foreign aggression in order, they hope, to alleviate the internal pressures produced by their general disregard for the welfare potentialities of economic advance. Non-Communist countries cannot hope to rival the Communists in the proportion of total production they extract from the people for capitalization of industry. But they can easily surpass the Communists in the per capita contribution of their people to savings, provided their emphasis begins with the motivation of the producer. This is bound to be a more efficient system of production and a more valid basis for capitalization than that based upon terror, compulsion, and maximum deprivation. Thus, in the long run. there ought to be no real reason to fear competition with the Communist approach to agriculture and industrial production in the Far East.

Even with the most optimistic view of the world of tomorrow. there is very little, if any, reason to expect that we can contrive the total elimination of economic inequalities in and between the countries of the Far East. And it is doubly true that we can hardly hope in the foreseeable future to see the levels of living and production in those countries brought up to our own level. It might be easier for us to take a rather remote and detached view of this, and to conclude that there is nothing we can or should do about it, if it were not for the almost certain impact of it upon ourselves. Just one question here: How long do we think we can bar out of our country the lower-priced products of rising industries in Far Eastern countries? We may be willing to raise our tariffs, but are we really willing to drive the Far Eastern sellers (and buyers) over to the Communists? Or, alternatively, are we willing to pay the costs to us of a security system in the Far East which will guarantee Japan, for example, reasonable access to Far Eastern markets which, without our preventive interposition, may well be taken over by force by the Chinese Communists? However we look at it, there are a number of alternatives for us, the cost of which will tend to diminish greatly our real elevation in income above people in Far Eastern countries in the world of tomorrow.

Accentuate Communication of Ideas and Knowledge

Third and finally, the world of tomorrow must be one in which the positive communication of ideas and knowledge will be greatly accentuated over its current level. I am speaking of communications which carry, as most of them do whether we realize it or not, a full load of values, preconceptions, and, if you will, prejudices. The presence in the world of today of

openly avowed fully closed ideological systems is a major danger to the intellectual, moral and spiritual growth of mankind. These systems tend to force upon us who are totally opposed to the modern propaganda-plus-terrorization states a defensive posture in the ideological field which cannot help but inhibit our own freedom. This is a natural danger, if only because, just as militarism engenders a military response, closed ideological systems tend to force us into a rigid posture of preventive defense in the ideological field. The minimum cost to us is to divert us from our normal desire to pursue knowledge wherever it may lead us, by channeling our attention on the doctrines of the opposition, if only to oppose them ourselves.

Now, the genuine penetration of closed ideological systems may be impossible for us today and for some time into the future. In the Far East, the "bamboo curtain" around Communist China seems even tighter today than the "iron curtain" around the Soviet ever has been. The best-intentioned efforts to get behind it, even if only for purposes of our own information, and not with any intent to propagate our own ideas there, are doomed to failure as things now stand. The Chinese Communists have evidently decided to deny access to any but accredited diplomats who are severely inhibited as to movement and contact, or to the trusted friends, colleagues and co-workers in the West, whom they even now allow to travel and speak freely throughout their territory. Some of the American citizens among them are already touring the United States and presenting the pro-Communist version of recent events in China.

Under such circumstances, it is all very well to argue for sending competent China specialists to Communist China so as to learn more about that country and report back to us in the interest of general enlightenment. Under present circumstances, this would be like wanting to know more about the narcotics traffic so as to be able to deal with this great social evil in a more effective manner.

But what if the only persons we could send to investigate it had to be approved by the Mafia in advance? Would we not, and rightly, then conclude that we already knew enough about the narcotics traffic to know that we must fight it by all means at our disposal, and by every new means we could mobilize under public approval, and that, much as we would like to know more about it, we could hardly profit by sending investigators who did not share our clearly well-founded opinion that it was bad from the ground up?

We Lack Knowledge of Eastern Languages

But if we can plead virtual impossibility of much inter-communication with Communist China today, this does not exonerate

us from our many shortcomings in communication in the Far East where no such obstacles exist. What are these shotcomings, and how can we remedy them? First and foremost is our almost disastrous lack of knowledge of the languages of the Far East. I am constantly hearing of so-called lags in the field of military hardware, in which it is said we are one, or two. or even five years or more, behind the Russians. I must say that, in knowledge of Far Eastern languages, we are more like 25 years behind the Russians. This puts us at a great disadvantage when it comes to communicating in the Far East. The day is past and gone when we can well gain and keep friends in that area without a far greater degree of mutuality in the use of languages than we now have as a people and as a nation. The recent efforts to make up lost ground, and which are belated attempts to respond to an already great superiority of the Russians in this field, are better than nothing. But, as usual, it is going to cost a disproportionate amount of money to do this job on a rush remedial basis. With Federal aid, which a few institutions still refuse to accept, we are now getting a first trickle of new students of the so-called "rare languages," some of which are so "rare" in Asia that they are spoken by several hundred million people!

But this is not all. With regard to communication, we seem to be at a considerable disadvantage even when it comes to distributing publications in our own language. Here, we are simply not communicating our most important ideas and techniques to millions of people who would like to have them, and largely because of the high cost of American books. You may have seen the recent references in the press to the re-printing, out of copyright, of American books at a very low cost in Taiwan, for example. As usual in these matters, this general practice in Taiwan is a response to genuine needs and, again, to the great differential in incomes between Taiwan and here. The American student may be able, if not usually willing, to pay seven and a half dollars for a textbook, but in Taiwan, that amount will feed a college student for a whole month! They cannot buy our textbooks and manuals, let alone our novels, in any useful quantity unless the cost is drastically reduced from the American level.

Since we do not do this ourselves, the people in Taiwan do it themselves. It is not against the law there, and it is not likely to become illegal in the near future. We protest against it as depriving our own authors, publishers, and printers, of their livelihood. But it is my considered opinion that this is not true, for except in such very cheap editions as the Taiwan offset printing people reproduce, very few, if any, copies would be sold in Taiwan.

Now, of course, books from the Soviet Union and Communist China do not sell in Taiwan. But they do sell widely elsewhere in the Far East. How do the Communists handle this matter? Suffice it to say that they send into the Far East every year millions of copies of their books of all sorts, at little or no cost to the ultimate consumers. Their resources in trained linguists enable them to send translations of those things written originally in Russian or Chinese, and all this at very little cost to the reader. Who pays for this? The Russian and Chinese people, of course, who, since they have no private enterprise, cannot protest that nobody makes a profit for himself out of it.

I would like to read to you here a Communist Chinese statement on some of their activities along this line. This statement is already over a year old, but it is still extremely interesting. The dateline is December 22, 1958. This is from Communist China:

"The Ministry of Cultural Affairs, the Ministry of Education, and the Commission of Nationalities Affairs recently held a joint national conference on publication work in the minority areas."

I would like to say, at this point, that in China there are many minority groups that have their own dialects and their own languages.

"Under party leadership and with its assistance, the Socialist publication work of our country's minority people has been developed successfully in the past nine years since liberation. Now 1 central and 10 local nationality publication houses have been established, and have published books of various categories in 18 different minority languages."

Then follows a long list of these languages, which, perhaps, would not interest you except for the inclusion, among them, of Korean—as a minority language in China.

Going on with this:

"The books published include the theoretical writings of Marxism and Leninism, writings of Comrade Mao Tse-tung in particular, the documents concerning the policies of the party and the state, and textboooks and dictionaries on social and natural sciences, art, and literature. Books concerning nationalities' problems have been published in the Han [Chinese] language."

Now, I want you to take note of these statistics: according to the Chinese Communist statistics from 1952 to the end of 1957, "61.21 million books of 6751 titles have been published throughout the nation. This has stimulated the effect of the party on the various minority people, consolidated unification of the fatherland and unity among the people of various nationalities, speeded up the implementation of the Socialist revolution and Socialist construction in minority areas, and accelerated the development

and prosperity of culture, education, science, and technology in minority areas. Particularly, the publication of the 'Selected Writings of Mao Tse-tung' in Mongolian, and Vighur, the Korean languages, and the Red Flag magazine in four different minority languages is of great significance to the political and cultural life of various minority nationalities."

Now, even discounting some of these statistics, I think we can still see the great importance the Chinese Communists attribute to this business of foreign language publications.

How do we want to handle this very grave problem of our own publications reaching Far Eastern markets? I am sure someone will advocate having the United States Government buy up large quantities of our publications for low-cost distribution abroad, even if in direct competition with foreign commercial sales by publishers themselves. But if this latter obstacle can be overcome, there is still the matter of cost. To this cost, every wage-earner, even those in typography and printing, will have to contribute eventually by taxes. And many will protest the "cheapening" of our product and the lowering of standards of production which may result from the insistence of the Government on lowered unit costs.

Some awareness of the real magnitude of the problem of communications between us and our friends, let alone with our avowed enemies, may come to us when we realize that this matter of publication distribution is only one, and a minor one at that, of our difficulties in the field of communications in the Far East.

On Exchange of Persons

Before I close, I would like to deal with just one more problem of communication, and that is the exchange of persons. Here, I believe a number of drastic reforms are long overdue, and I have already long since expressed my views on these matters to officials of our own and foreign governments. I hope some reforms will be made eventually.

First, on our side, I strongly believe that no American should be sent to the Far East by our Government under the exchange-of-persons program unless and until he has acquired at least an elementary speaking knowledge of the language of the country to which he is being sent, and also an introduction, at least, to its history and civilization.

We have, in recent years, been treated to some rather horrifying spectacles in the shape of gross ignorance of some diplomatic appointees regarding the countries in which it was proposed they were to represent us. But it is my considered opinion that this sort of thing, bad as it is, is far less injurious to

our relations with Far Eastern countries than it is to send, for example, professors from this country to lecture in the Far East, who are embarrassingly ignorant of the language of their host country and unacquainted with its civilization and culture. It is not enough to say that these persons are in the Far East to instruct in subjects far removed from the languages and civilizations of their host countries. For how can they well do this if they are, as in most cases, lacking even the most elementary knowledge of the cultural environment in which they must operate? How can they aim at the relevance of what they are seeking to transmit to the people to whom they offer it, if they are stone-blind to the main features of the local environment?

It is true that well-intentioned and fundamentally well-qualified personnel of this kind can pick up a great deal of this sort of thing during the stay of a year abroad. But this is merely loing the job backward, putting the cart before the horse. For if their real function abroad is to offer instruction valuable to recipient countries, they simply must acquire a minimum degree of sophistication in its culture before starting the job.

What kind of impression has the United States given to Far Eastern people who see that even the best-educated personnel of our country are almost all lacking in the most rudimentary knowledge of their country and their people? If this state of affairs were to be explained, perhaps it would be attributed to the persistence in the United States of the outdated colonial idea that while it is the duty of Far Easterners to learn our language and to become acculturated by us, it is not our job to learn theirs, nor to consider their civilizations sufficiently meritorious so that we should have even the least knowledge of them.

Do you perhaps have the feeling that I am overdrawing the picture? I assure you that I am not. I have intentionally chosen here to emphasize the exchanges with Far Eastern countries of American intellectuals, such as college professors, but if we add to this the great hordes of Government personnel, both civilian and military, that from time to time rotate through these Far Eastern countries, my case would become totally unassailable. The amount of preparation of these people, including their wives and children, for the important period of their residence abroad is so slight as to be pitiful. It is no wonder that often their presence alienates their hosts. It is, in my estimation, amazing that there is no more of this then there is.

Would it be too much to ask that before any such personnel are sent abroad, a minimum of, say, three months be put into orienting them basically for their life and work abroad? This could be done at one or more centers set up in this country by the Government in conjunction with is current promotion of the

study of languages and cultures of the Far East. The best possible instruction should be and could be made available. The cost to the Government would be very slight in comparison to the tremendous benefits to be reaped. I have had considerable experience in the matter of training selected personnel for work in the Far East, and I can certainly say, from extended field observation of the all too few people trained, that this really does work out.

On Training in U.S.

On the other side of the picture, there are further grave defects in the current program of exchange of persons. I speak here of the bringing to the United States of personnel from Far Eastern countries for training. Many of these persons should not be brought here at all, but sent with our financial asistanc to other Far Eastern countries instead. There is little merit for example, in training many people in the techniques of ir dustrial production as seen in the United States, for there i too often an almost unbridgeable gap between their own stag of technological development and our own. We should de everything in our power to encourage the exchange of person for these purposes between the various countries of the Far East We should do that so that they can learn from each other. Japan for example, can serve as host to many would-be technicians from less-advanced countries in the area and the training they would receive there would probably be much more realistically adjusted to their needs than what they would receive in the United States

More serious, perhaps, is the fact that many of the qualified students from the Far Eastern countries who come here do no return to their own countries to give them the benefit of their training. This problem has become severe now in both the Republic of Korea and Taiwan. It is long overdue for solution. It is perhaps inevitable that a few trainees from both of these areas should remain more or less permanently in the United States; but, today, the vast majority do so. This means simply that every year we are skimming off the cream of their best young minds among the college graduates for example, and are giving them expensive training, and then we are retaining them for our own use.

I am positively in favor of training such personnel here. I believe we should increase their numbers provided we can, at the same time, secure a higher level of general and specialized competence in those we admit. But I do not believe any such program can long endure unless we are willing to cooperate in sending back each year those whose training has reached a certain level or who have remained in this country for a certain specified period of time. I believe that we should seriously consider imposing a far more equal balance between those admitted for

study each year and those who return home for work. It is particularly damaging to mutual good relations to have leading talents brought here only to remain so long that they become "de-nationalized" or so changed that if and when they return home they are no longer at home there. This sort of thing surely defeats our purpose in the exchange of persons.

I believe that we have arrived at our present state of bad practices in this respect from a combination of misguided altruism, sentimentality, and sheer neglect and ignorance of the matter. Sometimes, for example, when the Immigration authorities of our Government attempt to impose a sanction of law on those who overstay, the intellectuals in this country will do their very best to get around this law and make it so that the alien involved may stay here just as long as he likes. In the long run, this sort of thing could be harmful to our relations with that Eastern countries and so deleterious to their best interests hat it may threaten the whole future of our efforts to do somehing worthwhile in the training of Far Eastern personnel in the United States.

Foreign governments and their people also have a big part to lay in this matter. They should assist in the raising of qualications for sending their people to this country, while, at the ame time, insisting upon their return when the purposes of their tay abroad have been attained, or before this in case the individual involved has stayed longer than is useful. It is their reponsibility, chiefly, to make sure that those who return can be put to use and that they are compensated in accordance with their output.

In all countries of the Far East, the position of the intellectuals is changing, and in some cases, at least, has already changed for the worse. The privileged positions of the old traditional elite are vanishing with the shifts of power and influence in the society. But there is no substitute for brainpower, and in the final analysis, intellectuals, who are so greatly disoriented in their cultures today in the Far East, must remain essential to future development. We do not aid them in their re-integration by helping them escape to the United States and thus to avoid their responsible part in the shaping of the future of their home countries. But we must also try to help the countries of their origin to integrate the Western-trained intellectuals at home, primarily through alloting them a more adequate share of national income for their work. The place of the intellect, mind and spirit in the national development, and in the defense of the national freedoms from Communist aggression and destruction, is an essential one. Without the resources of morale which it particularly creates, none of our measures, military, economic, or political, can much avail.

Now, I have dealt here with only a few aspects of the Far

East as it may well be involved in the world of tomorrow. But perhaps even this brief treatment suffices to show us that as we live today, we are constantly acting and planning for tomorrow. We must constantly meet this responsibility with energy and courage. Its demands upon us will doubtless increase as time goes on.

Thank you.

(Applause.)

CHAIRMAN HARRISON: Professor Rowe, I received a lot of satisfaction out of the very fine presentation you made to our conference. Undoubtedly, you put a lot of work and time into the preparation of your paper, and I know the members of our conference enjoyed it as much as I did. You have provoked and stimulated our thinking about the problems of the Far East. I could agree with much that you have said about some of the policies of our Government, about bringing people from other countries here and teaching them the things that they ought to do when they go back home, when, as a matter of fact, we are so far advanced in many of the fields, it would take five or six times their lifespan to accomplish and practice the things we try to teach them.

I think we need a shift in that policy and should encourage sending students to other countries that more likely represent the reasonable future attainment of the people in these emerging and developing countries.

Now we will have some comment on Professor Rowe's views I ask Harry Goldberg, one of our representatives who has recently spent some time in the Far East, to say a few words.

I present to you now, Harry Goldberg.

HARRY GOLDBERG

MR. GOLDBERG: I would like to offer a couple of comments, footnotes, if I may, on the very illuminating and instructing paper read by Professor Rowe.

As Brother Harrison has just said, I have very recently, only five days ago, as a matter of fact, returned from a ten-week tour of work which took me through some of the most important countries of Asia.

Some years ago I worked in Asia as a representative of our labor movement, and it was very interesting for me to see some fundamental changes that had taken place in the thinking of our Asian friends, some very significant changes, especially in the political atmosphere.

Professor Rowe mentioned Tibet; of course, it was the brutal

crushing of the national revolt of Tibet and the aggression of Communist China against the territories of India that has been the most important single cause of the very significant change that has gone on in the political thinking of Asians as contrasted, say, with the time when I was there.

It is no longer possible for Communist China to pretend, as she did before, during and after the famous Bandung Conference in Indonesia in 1955 that she believes in co-existence and in peace, that she does not believe in interfering in the affairs of other nations. For good and for all, Tibet has ended this illusion, and our Asian friends, especially in India, have no more illusions about this.

When, for example, you can read in the official organ of the PSP—that is the publication of the Socialist Party of India—a statement to the following effect:

"It is important for us never to forget that imperialism is not something which can come from only one portion of the world to another. It is important for us never to forget that imperialism can rise in our own midst, and that an Asian country can oppress other Asian countries. It is important for us not to forget that Communist China is an imperialistic country and that Red imperialism can be worse than the old colonialism that we have experienced."

When statements of this sort are made, then I say there has been development in political thinking and I do not mind saying that this has been very salutory from my own point of view.

One more short point and then I am done.

Professor Rowe has indicated the necessity of what he called the multiple approach in facing the Communist threat, not only politically, socially and economically but also militarily. I regard this as the essence of wisdom. I think it is important for us not to forget that there is no disagreement and there cannot be any disagreement in our ranks as to whether economic aid should be given to the fullest to help the fight against poverty and disease in underdeveloped countries. We do this for purely humane reasons and in line with our own normal laws and political principles; however, it would be a pipe dream to think that this, by itself, is going to solve or push back the Communist threat. It is important for us to realize that Hungary and Tibet, and other episodes of this sort, should be an eternal reminder to us that when it suits the Communists to use force to crush democratic aspiration, we must be able to counter it.

That lesson has not been lost in India and other places, and they are doing some very deep thinking about it—welcome thinking.

Thank you very much.

(Applause.)

MR. DUNN: My name is Joe Dunn. I am a member of the Communication Workers of America.

Mr. Chairman, I have been very impressed by the speakers on our various problems; however, one thing bothers me. No specific questions have been asked from the floor of the speakers.

We have heard this morning about our problems and our failures in various parts of the world, and, I realize, that we have failed in many aspects. The speakers we have had have done a wonderful job of presenting these problems to us. I was especially impressed with the last speaker and his recommendations to the Government.

In this body today are the sophisticates of the labor-union movement. I think, however, these sophisticates are seeking answers, and I would like to ask Professor Rowe, in view of his tremendous background in political science and his knowledge of our problems and our failures, what are his specific recommendations to this body to implement the program he has laid out to the Government.

Responsibility of the Individual

PROFESSOR ROWE: Well, sir, that's a question, of course, that I am asked all the time. I hope my answer to it is not going to sound too pat, because it is the kind of answer that I always give.

To me, this is a simple business. We live in a democratic society characterized by the responsibility of individuals to help, at all times, to shape the policies of the Government under which they live, and to shape, of course, in detail, the conditions of their own life.

We have well-recognized avenues by which the individual and the groups, the organized groups, can and should bring pressure upon the duly appointed elected representatives of the people. It simply comes back to the age-old formula that if you want something done by the Government of the United States, individuals must insist that it be done by bringing pressure and influence upon their reluctant representatives. Groups have a right, a duty and a privilege to act in our country. They must bring the recommendations that they have agreed upon to the attention of the executive branch and the Congress of the United States.

I don't, of course, claim that in this way we are going to get heaven down on earth tomorrow morning. I don't claim that we are going to get results as rapidly as any of us would like to have them, but, during my all-too-short life in this business, I have made it a duty to constantly keep plugging away. And I have found that even after years of time, the results surprisingly come about.

If you don't mind, maybe I will bore you with this story.

I was in Taiwan for two years, 1954 to 1956, and in the summer of 1958 I went back there for ten weeks. I traveled during that ten-week period 3,000 miles inside Taiwan, studying the farmers' association and their organization, the way they operated and their function, because I am interested in what is going on in the grass roots from the organizational point of view, and, particularly, since we Americans are helping them pay for this business. I was convinced by my survey of the Chinese countryside that, as I said in my lecture, the standard of living is extraordinarily high and, in fact, is the highest standard of living I have ever found among any Chinese farm groups any place. I visited about 15 provinces out of the 28 on the mainland during my time, so I know what I am talking about.

I became convinced, however, that the development of income to the individual and the increase of his standard of living were too rapid. You may say, "Well, that's really a funny idea. You mean that the Chinese farmers are living too well?" To that I say, "No." They are not living at all well enough by our standards, but I say that every year the increase of production is being essentially consumed in outgo in services, the standard of living of individuals. Not enough is being taken away in taxes. Not enough is being taken away in savings so that the tremendous increase in agricultural production could become a basis for modernization of other sectors of the economy. Before I left Taiwan I had the privilege of talking with two or three very highly placed persons in the Chinese government and in our American diplomatic establishment there. When I proposed this idea that the Chinese farmers ought to be deprived a little more. I was greeted with an absolutely blank stone wall. Both Chinese and Americans thought this was very peculiar, to say the least: that it just was not feasible.

I want to call your attention to the fact that this was in August of 1958. Early in 1960, or late in 1959—I forget which—this whole business appeared in the columns of the New York Times. They reported a designed cooperative policy of the Chinese and American governments to accentuate savings, to decrease the annual rate of increase of the standard of living so as to gradually—as I said in my paper—bring Taiwan into self-sufficiency.

So you see, you have to be patient, for sometimes these little things that you throw in unexpectedly bear fruit.

This is the only line that I can see. We don't have any other way of doing this business. An individual, at all times, has to be conscious of his public nature, to exercise our functions as members of a public society and to try to get the things done that we want to get done; and if the things don't get done, then there is nobody to blame but ourselves. We can't blame it on our representatives or on our elected officers of the Government because we know perfectly well that they respond to pressures upon them. My only answer, unsatisfactory as it may be, is still the only ansyer that we have.

(Applause.)

MR. KEENAN: My name is Joe Keenan.

I would like to ask the Professor this: I happened to be in India a year ago and spent 30 days there, and one of the things that impressed me was the condition of the trade unions in that country. They have about 5,000 of what we would call "locals." That's 5,000 individual unions. They have no George Meany, as such, and they have no Walter Reuther leading an organization. They are all individuals. I believe that the time is ripe for the labor movement—and I am talking about the democratic labor movement of this country—to try to get into those countries and try to solidify them. I believe that we have the kind of operation that would enable us to become some kind of a force to overcome the inroads that are being made by the Commies.

I just wonder if the Professor feels the same as I do, that the unions could play a great part in this fight if we could get them as a solid union.

PROFESSOR ROWE: I would be delighted to comment on that because my thinking runs along the same line.

Your suggestion is particularly significant in relation to India because, I understand, India is the country which, for better or for worse, and sometimes I have my doubts, is trying very hard to leap over into the age of big production and heavy industry.

This heavy industry is going to be controlled and run by somebody. The way things are in India today, it appears to me that the vast bulk of these things will be controlled and run by the state. If this is so, it certainly raises some very, very important questions along the line of what you are suggesting, and that is what is going to be the relationship between labor and management in these huge enterprises?

I would argue with all the power at my disposal that the impetus of the kind you suggest is valid, desirable, and something

that should be done through the United States Government, with its sanction if necessary; but, if possible, also on a purely individual basis, that is, that organization-to-organization contact should be made so as to help encourage the people in India who believe that there should be a free labor movement. There are people like that, but the pressures on them, not only from the Communists but from the possibilities of a forced-feed development of heavy industry, so that development could go into the hands of a government bureaucracy and this government bureaucy could stifle the kind of free labor movement that you and I firmly believe in.

That's my opinion on the subject.

(Applause.)

CHAIRMAN HARRISON: Are there any further comments or questions?

State your name, please.

MR. McDOWELL: I am McDowell of the Upholsterers' National Union. I would like to inquire with respect to this:

You have sketched some of the inadequacies of the personnel going abroad, for example, the lack of background with respect to language and culture. As you are aware, we have various universities for Far Eastern studies, and we are not lacking in resources. Does it not seem strange to you that there is not a free institution, a school in which such personnel are instructed in the nature of the semi-religious ideologies and the intensive tactics which they are going to face whether they are going to India, France, or any other place, where they are informed of the operational science and the preparation of the Communists? As far as I know, we have many schools to teach the cultural background but we do not have in the free world one school to match the training schools which have been training personnel for all nations all over the world for 40 years.

PROFESSOR ROWE: On that point, unless you mean by this the organized —

MR. McDOWELL: The Federation of Labor supports the Freedom of Academy bill.

PROFESSOR ROWE: I'm sympathetic to this, but I would like to qualify that statement by another. I'm reminded of a statement that people used to make jokingly in Japan during the occupation. When the question was discussed as to whether Japan could be brought over and changed, reformed, or what have you, into a democracy, some people jokingly used to say that we were going to give Japan democracy even if we have to shove it down their throats.

Let's take off from there. I happen to believe that the liberal arts college in American education is a fairly secure repository of our democratic values. I'm far from arguing it is faultless. I'm not going to say for one minute it has not been penetrated by the enemy, because it has, and, of course, they are wise to try to penetrate it; but I don't feel that we need a Freedom Academy as much as we need a rebirth of freedom where we normally give it birth and nurture it. I could argue that if you are going to staff a Freedom Academy you could go around to the various colleges and universities and pick people about whom you have no doubt. You know one result of that: the colleges and universities that you take these people away from would become worse than they were before. You have to have a certain sense of responsibility about this. It is not a minor problem.

Then, of course, you have various other problems from a strictly technical and educational point of view. I would argue not that the best way to have a Freedom Academy is to see to it that every academy is a Freedom Academy. If this sounds like a big job, all I can say is that it is. If this job is not done, you can have all the Freedom Academies you want, and you wouldn't get what you are after.

(Applause.)

CHAIRMAN HARRISON: We have just about reached the expiration of time for the discussion of this particular subject.

With the consent of the conference, we will pass on to the next subject in the program: "Africa and the Near East—the Problems of Economic Progress and Freedom."

Our speaker who will present this subject is Dr. Ernest C. Grigg. He is presently the chief of the Community Development Group, United Nations. Dr. Grigg has had broad and democratic training and very extensive practical experience in dealing with the most basic problems of human existence and human relations. He comes to us well-qualified by training as well as one who has had much practical experience. In years past, Dr. Grigg has been associated with the New York City Department of Welfare, with UNRRA and with other international refugee organizations. For a number of years Dr. Grigg served as chief of the United Nations regional office for the Middle East until he took the position he presently occupies as chief of Community Development Group of the Bureau of Social Affairs at the United Nations.

I'm very happy to have this opportunity to present to our conference Dr. Ernest C. Grigg.

(Applause.)

DR. ERNEST C. GRIGG

"Africa and the Near East—Problems of Economic Progress and Freedom"

MR. GRIGG: Thank you, Mr. Chairman.

Mr. Meany, and ladies and gentlemen:

I believe that before I begin my prepared speech I owe you and the organizers of the conference an apology for apparently departing somewhat from the subject which has been given to me. It seemed to me that there were a number of ways that I might talk about this very complex and very intricate subject. One was to attempt an analysis of several of the countries involved; another was to attempt an analysis of some of the particular problems involved, all of which seemed to me to be a rather lengthy and perhaps arduous task which could not be done too well in the time alloted and for the number of people here represented.

I therefore have chosen to discuss broadly some of the reflections which come to me as a result of considerable travel and work in the countries under discussion.

An American thoughtfully prepares for a journey beyond the earth's pull. The scintillating fusion of time and space in vehicles of unimaginable power and complexity moves nearer.

An African walks the 30 miles from his village to the nearest town. It is literacy day; 4,000 men, women and children gather to dance, sing and applaud because among them 750 have learned to read and write. Just a few short months ago I had the rare opportunity of participating in just such an occasion. The celebration is great, the rejoicing unrestrained. Education moves nearer.

Impressive phrases have been employed to describe the rights of man and the subjection of men by other men has already twice resulted in titanic upheavals and the nightmarish glow of a third dictates our actions and prejudges our ambitions. But millions in Africa and the Near East are making their first faltering steps towards the goals for which it is presumed these earlier catastrophes were endured.

In a world where an uncomfortable proportion of our economic thought, corporate endeavors and combined resources are dedicated to the task of restraining within manageable limits the excesses in goods and supplies to which our productive powers expose us, millions in other lands are hungry, partially clad and without adequate shelter.

This then is a world of contrasts—communication and education as against insularity and ignorance. There are the lofty

ideas about the rights and dignity of man. On the one hand we speak in eloquent measures of the brotherhood of man and on the other fight with fervent intensity the implications of our own logic. There are men to whom these notions are only beginning to have currency; and finally, there is the contrast between abundance and need.

In a subject of such complexity and such far-reaching implications as the problems of economic progress and freedom in Africa and the Near East, if we can examine briefly the three areas to which I have alluded, we shall already have posed for ourselves a substantial problem which, while it connot be dealt with exhaustively, can serve as a basis for provocative questions, productive thought and intelligently motivated action. It is not suggested that the contrast I have drawn between the conquest of space and the walking peasant is intended to propose a simple transfer of modern transportation methods to the area affected. Nor is it implied that the surpluses of goods is merely a matter of transporting such goods to the areas in need of them.

These are the ultimate objectives, to be sure, but the steps in between are complex and intricate and the way bristles with pitfalls and dangers. These dangers are both external and internal. Externally, there is the danger that too little interest bespeaks a failure to appreciate the problems, an unwillingness to become involved. Too much interest invites the criticism that the action is self-serving and is entered into for selfish and ulterior motives. Internally, the dangers are no less intense. For here the inherent right to make one's own mistakes is subverted and conditioned by time factors, which are new and all-persuasive.

If, however, we are to discuss some of the dangers and pitfalls which widen the distance between the contrasts described above, we must perforce make some generalizations regarding the areas under discussion. I do this with great timidity and excuse the exercise on the basis of the limited time available and the necessity of seeing the problem whole before one attempts to scrutinize its components.

Situations Vary in Areas and Countries

In Africa we are witnessing the emergence into independent status of a whole group of countries formerly under the domination of one or more foreign powers. It would be the grossest kind of error to imagine that any two of these countries have undergone exactly the same type of foreign dominance, were ruled in the same manner, began their colonial status at the same stage of development or are populated by people having the same customs, traditions, practices, speech or even physical

appearance. Indeed, it would be difficult to find identical patterns within regions of the same country.

To a lesser extent, the description also characterizes the Near East, but one must recognize that there are differences of a fundamental character, the detailing of which cannot be attempted here.

For example, the pattern of foreign domination is not the same for many of the countries. One must also recognize that much of the Middle East represents the cradle of our civilization.

For those who would offer help or even sympathetic understanding, the fact of these differences demands a breadth of view and a flexibility of concept beyond the mere pedestrian attempts with which similar problems have been approached. What is at once both heartening and challenging are the points of similarity about which we can, I believe, generalize without fear of encountering serious disagreement.

In my view, the first of these areas about which there can be no question is the fact that the peoples of Africa and the Near East are in the midst of a gigantic social revolution. The tempo of this phenomenon may, in some instances, be very slow, in other situations it is well advanced, and in still other instances, it may be at varying stages in between. Of its existence, however, there is no doubt whatever, it is the fact of life to which all other facts must accommodate themselves. The tempo of this revolution will inevitably increase and short of a cataclysm that will destroy mankind, the Africa that emerges will be a far, far different Africa than the continent with which we are now familiar.

The revolution may be violent; it may be peaceful. It may, with a steadily widening range of activity bring a richer and fuller life to large numbers of people. It may in short spurts and bumps benefit limited groups of people for temporary periods. Much of how it will turn out is determined by the understanding of the world without.

Aspirations Identical

A second fact of universal application and with which there can be no dispute is that the desires, hopes and aspirations of the peoples of Africa and the Near East are identical with those of people elsewhere in the world. They want, they demand, an opportunity to live in such manner and in such surroundings as will ensure the dignity of the individual and his right to pursue unhampered the aspirations to which his abilities and inclinations direct him. This involves, among other things, education for his children, adequate food, shelter and clothing,

the benefits of modern medicine, the employment of modern inventions and the institutions to improve his daily life.

The manner in which he will secure these things, the very expression of his desire for them, will be many, varied, and to outsiders frequently incomprehensible and at times contradictory. It is not unreasonable to suppose as the process accelerates and these manifestations become more bewildering from, say, the western point of view, there will be considerable pressure for the kindly disposed to withdraw in hurt anger, railing at the ingrates who spurned our proffers of assistance.

I do not suggest any ready formula for understanding the inevitable frictions that will develop. I attempt no such formula because fundamentally I do not believe that a scheme can be devised which will fit the situation. For the differences, the difficulties, are compounded of many elements—of past indignities, of newborn unaccustomed freedoms, of different sets of superficial values, of personal ambitions, of justifiable suspicions, of former affiliations, of pride and prejudice.

This is the stuff of which growth and change are made and the frictions and difficulties are, in my view, inescapable. They cannot be got around. They can, I believe, be minimized. They can be put in proper perspective so that they need not carry the entire burden of our future relations and thus need not provide the breaking point in a relationship that is essential to both groups.

In preparing for this task that lies ahead for both ourselves and the countries we would befriend, it seems to me that certain elementary dispositions must be taken. Among these, I would list a shedding of the shibboleth that ours is a gesture of disinterested altruism. A change in this fundamental attitude will give our overall view a clarity which it has hitherto lacked and will provide us with an instrument for evaluating our own and the acts of others with a degree of precision which has meaning and content.

I suggest that another disposition we must hasten to achieve is a firm declaration and implementation of what we are for, rather than what we are against. I believe that in adopting such a position we come nearer to common ground with Africa and the Near East than is possible through any formula which might be especially devised for application to this particular part of the world.

We are for the full development of the legitimate national aspirations of people everywhere.

We are for equal opportunity for individuals and states.

We are for an improved standard of living for the underprivileged. We are for the dignity of the individual.

We will do what we can in individual instances to aid in the achievement of these goals.

We will exert ourselves to help create a world climate in which it is possible for all countries to work towards these ends.

Perhaps the enunciation of such objectives seems a little grandiose and will be criticized as deficient in the day-to-day practicalities with which we are confronted.

I submit that the practicalities of day-to-day action and thought have meaning and purpose only insofar as they can be related to overall objectives and a deep compassionate understanding of what we are doing, why we are doing it, and what we hope to achieve by the actions to which we commit ourselves. Moreover, and perhaps closer to the point, there must be sympathetic understanding and an appreciation of what Africa and the Near East are striving for, what their goals are and why they believe that a given course of action will achieve the objectives they have in mind.

That an overall view and concern with ultimate objectives places all of us under the necessity of thinking big and thinking in perhaps unaccustomed terms is not denied. Nor is it claimed that the exercise will be easy or readily entered into. That such an approach, however, is impractical, useless or utopian is most emphatically rejected.

Western Criteria Not Valid

Africa and the Near East, evolving as they must from their own sets of values, their own customs and traditions, cannot be understood in terms of a different set of values, differing customs, other traditions. The Arab's approach to government social security program must, for example, be understood in terms of Arab family relationships and the teachings of the Moslem religion. The African's acceptance and use of a money economy must relate itself to the economy in which he has hitherto lived. One could go on multiplying examples, but the point I wish to make is that a judgment with respect to the Arab's desire for security and the African's wish for the things money can buy cannot be made through the use of western criteria.

Thus, let us not jump to the hasty conclusion that social security programs are unwanted in the Near East because there is difficulty in introducing them or in finding the conditions that would make them operate successfully. Do not accept the African's refusal to regard money with the same sense of awe that we do as evidence that he is satisfied with his present hut.

Each—the West on the one side and Africa and the Near East on the other—must employ the criteria of their mores. It is part and parcel of each of us and we can no more separate ourselves from the basis on which we make our value judgments than we can employ another's senses to see, touch, feel and hear. Thus, if we would understand one another, we are thrust back to fundamentals where we can meet on common ground. For the great masses of us, our hopes, aspirations, and ambitions are identical. We can and will become confused on the methods by which these ends are to be achieved, but if we have a solid footing in an understanding of the ultimates, perhaps we can create for ourselves tolerant acceptance of methods which appear at cross-purposes, one with the other.

A firm footing in the fundamentals may help us understand a facet of African and Near East behavior that seems unreasonable but is nonetheless understandable. The nations of this area, for the most part, have known many years of foreign domination. Irrespective of the justice of the view, the whole of the western world, and the white man in particular, is associated with that period. The now free nations must assert their independence. Any gesture, attitude, or suggestion, no matter how well intentioned, can and often will be interpreted as an attempt to continue or reinstitute this previous condition. It is certain that many well conceived and entirely disinterested plans and schemes will be summarily rejected for no other reason than that they suggest an attitude in which the West is saying father knows best. The right to make one's mistakes may here take on an exaggerated dimension but it is real, it is a fact to be reckoned with. All countries, all men, have made similar mistakes. Indeed, it does not become a mistake until subsequent development tell us that it was.

What I have tried to say in this brief statement is that Africa and the Near East are in the midst of a great social change. The problem of economic progress and freedom cannot be disassociated from this phenomenon. The success of the present struggle is inextricably a part of what will happen to us and to the world in which we live. In our efforts to help we shall feel thwarted and rejected. We are, however, too closely bound to the other to afford the luxury of not understanding. I have suggested that an alternative approach to some of the problems which are emerging is the adoption of a forthright position with respect to what we are for. What we are against is sterile and useless and has no meaning for the people of Africa and the Near East. We must declare ourselves for the things we stand for and then prepare to implement those standards withour regard to whether the methods adopted conform to our own notions of how things should be done.

We must also be prepared to accept the logical implications

of what we are for, though the going is rough, and, our own pet prejudices, sorely tried.

The task involved is not easy and it is not altogether certain that the wit and compassion of man is equal to the job. But surely it is worth the try for the alternatives are indeed bleak. Preoccupied as we are with the dread spectre of armed conflict, the non-military events in Africa and the Near East have no dramatic appeal and may seem relatively unimportant. It is not at all unlikely, however, that the battle we so fervently wish to avoid is at this moment being fought out in the speed and manner with which these two great areas of the world will achieve economic progress and freedom.

(Applause).

CHAIRMAN HARRISON: Thank you very much, Dr. Grigg, for that very fine statement and very fine contribution to our conference.

I now want to call on Miss Springer, a member of our International Affairs Department, for some brief comment on this particular subject.

I now present Maida Springer.

MAIDA SPRINGER

MISS SPRINGER: President Meany, Brothers and Sisters:

As an observer of Africa since 1945 and a limited and occasional participant since 1951, I do have some partisan views on the events in Africa and I do not pretend that they are other than partisan. As a member of this organization my partisanship has perhaps been enhanced because within the AFL-CIO we have come to see the stakes of Africa and the rest of the world as entirely related, stakes that cannot be separated.

As I listened to Dr. Grigg and he began his remarks with watching Africans going to the polls to vote, I remembered some of my own experiences in Africa. Very often, I have read and listened to people who presumed to speak for Africa with an African point of view, who claimed they knew what was best for Africa. They said that elections and voting were a kind of sophisticated thing which was suddenly imposed on Africans, which they didn't want but that World War II and international opinion forced it on them. I want to suggest that this is erroneous.

I can go back as far as 1875, 1880, and later, when the African aborigine society and the Gold Coast sent deputations to London to protest against the inequities in administrative affairs of the then Gold Coast. I can go on to French Africa and to other

parts of Africa which have had the same kind of pull for a voice in their own affairs.

For one to be involved in Africa there must be an understanding of the kinds of Africa you go into. I submit my own ignorance, because once you leave one part of Africa and visit the other you are completely at a loss and you must begin your evaluations all over again. First there is an administration which is metropolitan and goes in and proposes that this is the way it should be done. Then there is an Africa wherein a certain community legislates for the country. In both cases there is legislation for the country without the rights of people being taken into consideration. The net result is that in certain communities a minority dominates the opinions and the politics of the people. The African who challenges this is classified as an agitator. Then, suddenly, he is brought from jail where he had been put and sent to international conferences by the metropolitan government and there is a very good chance of this agitator becoming the prime minister of his country.

This may have been all right a generation ago, but in the world struggle that we are involved in and in the social value. which, I believe, everyone in this room is committed to, it is almost too late to go back to 19th century niceties. We must be concerned with an independent Africa which may very often challenge us; with an independent Africa which must determine its budget by spending a great deal of money on education and economic development to make the economy viable in a constructive society. A fact we must face is that 95 per cent of the community is illiterate. I am not trying to find a solution, but as I listened to Dr. Grigg and for the time that I have been involved and been fortunate enough to work with African political leaders, I want to suggest to you that we begin to look behind 1945 and that we begin to see Africa as a social and political entity which began its existence, its ethics, its philosophies a long time before World War II.

I think, in this connection, the AFL-CIO serves in a useful form. Some of the resolutions recently passed—and surely the one on South Africa—are good examples of what I mean. What has happened in South Africa is by far and away the most despicable thing, by western standards, that could have happened. We have shown the world that we are challenging them with respect to human decency. The resolution challenges the segregation policy of South Africa and challenges colonialism as such, even though it may offend some of the people. This is one of the most basic and constructive steps that we can take towards helping the Africans. If we understand some of the motivations, we will certainly attempt to understand them politically, we will try to support them educationally. We will advise or suggest to our Government changes in economic poli-

cies, and perhaps in this hot and cold war we can begin to show the African communities that we see them as people in themselves and not as a part only of a struggle for the political powers of the great dinosaurs.

(Applause).

CHAIRMAN HARRISON: Thank you very much, Miss Springer. Are there any comments?

GEORGE WEAVER

MR. WEAVER: My name is Mr. George Weaver.

Mr. Chairman, I would like to apologize first at the outset. I hope that my voice lasts through.

I think we are deeply grateful for the thoughtful presentation of Dr. Grigg. I would like to suggest that this is the kind of presentation that not only sounds good as it comes to you, but it warrants reflection because I think there is one admonition that runs through it like a thread, that we should all be aware of. I am referring to the fact that we should clarify our own thinking on what we are for, which is one of the mistakes, grave mistakes, that we made in the early years after World War II in Asia.

A second point, I think, that bears not only reflection but bears constant repetition to ourselves is that it would be a grave mistake to judge and attempt in our efforts to aid, to mould the people that we are trying to assist in our own image. I think it most important that it should be crystal clear what we are for.

I was interested in the presentation of Professor Rowe and the comments therefrom, and there came to mind, based on experience in Asia, working with the people and particularly the workers in Asia, one of our greatest weaknesses is the lack of a clearcut image. Professor Rowe made a suggestion which, I think, was a worthy one and which could be applied to Africa in terms of an exchange program. However, he suggested two countries that should be utilized greater in exchange, Korea and Taiwan. The image of Korea and Taiwan, in many intellectual minds, is actually the other extreme to Communism that we This is pretty close to the top of our conscience, now, with the stories in the responsible daily press about the results of the last election in Korea. We should remember this in Africa, because we have to provide something better than the two extremes that are demonstrated by the Communists at one end and the so-called democracy of Korea opposed to it on the other end. I think that this is a lesson, a lesson of our past in Asia, that should be kept foremost in our mind as we look and prepare and think and plan for Africa.

I'm deeply grateful for the lesson and the admonition contained in Dr. Grigg's address which reminds us of this most important truth.

CHAIRMAN HARRISON: Very good. I appreciate your comment and your observations. I'm sure that Dr. Grigg does also.

Now I want to call on Vice President A. Philip Randolph, and then we will have one more speaker to comment. After that we will be through for the day.

I now call on Philip Randolph.

(Applause).

A. PHILIP RANDOLPH

MR. RANDOLPH: Mr. Chairman, Brother Meany, fellow members of the Executive Council, and delegates:

I want to commend Dr. Grigg on his brilliant statement, followed by the illuminating comments of our own Maida Springer and also Brother Weaver. I only want to make this comment and that is this: In my opinion 1960 will mark the beginning of the decade of the emergence of a great black world power. This great black world power is a new force in international politics. It is represented by the new free African states. The great question is: What will this new black power do? With respect to the great questions and issues that stir the minds of mankind today, what will they do? Certainly it appears to me that by way of helping these new African states on their way towards progress and achievement, the West should abandon the old doctrine of white supremacy; the belief in racial superiority should no longer exist, and the world of color caste disappear. This is basic to the struggle of the people of the colored world.

No doubt you recently saw the action of thousands of South Africans burning their color passes in order to demonstrate their deep objection to any manifestation whatsoever of racial inferiority on their part.

I believe, that the American Federation of Labor and the Congress of Industrial Organization is doing much in leading the way, in giving the Africans a deep sense of our belief in their equality in the family of peoples, and so on. It is most gratifying that we have nine African states in the United Nations. Before this year ends, there may be 13. When you combine the 13 African states with the Asian states you have 29. When the Afro-Asian bloc begins to operate and work in the global stage, you can expect a new climate in the world. We are witnessing one of the great revolutions of mankind. We

are witnessing something new, the new world black bloc. It is a challenge. It has a revolutionary significance, but it has great implications in helping to build a world of peace and a world brotherhood of man.

(Applause).

CHAIRMAN HARRISON: Thank you, Brother Randolph.

Vice President Joe Curran, president of the Maritime National Union, now wishes to say a few words and I call on our vice president.

(Applause).

JOSEPH CURRAN

MR. CURRAN: Mr. Chairman, I know the hour is late. The subject, however, is of great importance and I wanted to say this one word:

I have just returned from London where I attended the Executive Meeting of the International Transport Federation, which represents the transport workers from 60 of the free nations of the world. The most important subject on the agenda there, of course, was the regional activities developed by the C.F.T.U. at their recent meeting in Brussels. The principal question we took up was the question of the boycott in South Africa, which Maida spoke about before and on which a report was made.

It seems that the boycott is being actively supported in a great many countries. In England they had mass meetings throughout the entire country on the boycott in South Africa. A resolution was adopted in the I.T.F. which I subsequently brought back here. The AFL-CIO has the same resolution, to promote the consumer boycott here; and from this point on I think that we are going to begin to see some action on the question of the consumer boycott.

There is only one problem involved in that consumer boycott here. The main product that is bought by this country is gold and the question of how to build up a consumer boycott against gold in a country where we have moved off the gold standard is going to be pretty difficult; but that's the main problem.

Maybe we can find some other products on which to establish a consumer boycott. However, in a country where the principal products are brought to England and the Commonwealth generally is a very effective consumer, a boycott in those countries would be felt.

Another question that arose was strengthening the trade unions in Africa and assisting them in every way because out of trade unions come the leadership that is needed in these countries to help build up the freedom that is beginning to exist there. One of the places where we decided to do all we could, where there is a real job of starving being done, is the railway situation in Tanganyika. I refer to where the railways workers are ready to go out in Kenya where they are working for 85 shillings a month, which is somewhere in the neighborhood of \$3.38 a day. They have been on strike since February and their people are starving. While the practical way, like Maida said and Mr. Grigg said, is to state what we are for. These are the things that we have got to show, and one of the things that we voted on in London was to do an all-out job of assisting in every way that we could to build the trade-union movement, to support these strikers so that they can't be starved out and that they win their strike, because their strike is our strike, and any trade-union movement in Africa is our trade-union movement, and we have to do what we can.

I might say in closing that this was the theme of the American delegation of the I.C.F.T.U. With reference to the American delegation at Brussels led by George Meany, in his presentation to the I.C.F.T.U., this was one of the principal approaches. The I.T.F. meeting was to implement and to put into effect the decisions made at the I.C.F.T.U. If we work on the decisions, we can demonstrate the very things Mr. Grigg and Maida spoke about, what we are for. In this way we can demonstrate to our African trade-union brothers and the Africans generally that there is only one race, and that is the human race!

(Applause.)

CHAIRMAN HARRISON: I now want to call upon President Meany to comment on this particular subject.

I now present President Meany.

(Applause.)

GEORGE MEANY

PRESIDENT MEANY: I would just like to take a few moments to comment on the African situation and to express to Dr. Grigg our sincere appreciation for his very scholarly analysis of this situation.

I would like to point out that the AFL-CIO's interest in Africa is to some extent a selfish interest. We believe in free trade unionism. When you ask me what we are for in Africa, we are first of all for free trade unionism.

Our selfish interest is in the stake that we have in extension of free trade unions anywhere in the world. Anywhere that labor loses its freedom, that constitutes, to some extent, a menace to our freedom. To whatever extent we can extend trade union freedom and workers' freedom throughout the world, to that extent, at least, our freedom is secure.

We have been interested in Africa and we have been subject to criticism, I might say, from some of our friends. We are responsible mainly and I say that without any qualifications—the AFL-CIO is mainly responsible for the fact that there is a tradeunion college today actively training young Africans in Uganda. That college, of course, is under the aegis of the International Confederation of Free Trade Unions, but it is there because of the AFL-CIO. It is there because we insisted that the International Confederation of Free Trade Unions establish such a center in Africa. I talked with Arné Geijer and he and Walter Reuther and I had an hour yesterday together and one of the suggestions he brought up was the establishment of a trade-union college somewhere in French Western Africa where the principal language would be French.

We do these things because we want to raise the freedom of workers, and we feel that the best way for workers to be economically free—and they can't be politically free unless they are economically free—is to teach them the rudiments of basic trade unionism. What type of trade union evolves will be their business.

I like the remark that Professor Grigg made here a few moments ago when he said that the Africans have got to be free to make their own mistakes. That, to me, is one of the essentials of freedom. We do not approach the African question with the idea that they must do as we say: that they must mold their particular economy to the image of the American economy; that they must create their trade unions even in the image of the American trade unions. We want them to have knowledge of our trade-union system; we want them to have some concept of the achievements of our system so that they can be guided; but, certainly, we want this to be done by their own decision.

Some of the critizism from our friends abroad has been that we were helping African trade unions who give too much thought to what they term politics. What they mean as politics in the newly emerging countries of Africa is the desire of the people, number one, for self-government, to be free of colonial rule; number two, to create a government of their own choosing, a type of government that they want, not the type of government somebody else wants.

I submit that in this struggle for the establishment of self-governing territories that were formerly under colonial rule and parallel with it an effort to create a free trade-union movement in those countries, it is almost impossible to have a person interested in the establishment of a free trade union in one of these formerly colonial territories and not at the same time have a person who is interested in the type of government under which he and his fellow workers are going to live.

For example, say that this was now a colonial country and

that we were interested in independent self-government. Would not every person in this room who is interested in free trade unions and the establishment and advancement of a free tradeunion idea, would he not or would she not be interested in what type of government came to this territory after colonial rule was gone?

So I say that as far as politics is concerned, sometimes we hear it said that these trade-union leaders are not really interested in trade unions and that they want to be prime ministers or they want to hold political posts in these new governments. I don't know whether that's true or not, but the point is that if it is true, to what extent does that detract from the idea of the establishment of a free trade union?

The AFL-CIO has taken the position that we are for free unions in Africa in these newly emerging countries as an integral part of a system of self-government; that the very mark of free government is a free trade union. If you do not have a free trade union, then, more or less, it is axiomatic that you do not have a free government. We do not want to impose on our African friends any particular type of government, any particular type of trade union, except that we want it to be free. What they do politically, provided it is to fight for a free type of government, is their business. We want them to be free to make their own mistakes.

We have no thought of collecting a per capita tax in Africa. We are over there. We have our departments following up this work. We are promoting the advancement of these people inside the International Confederation of Free Trade Unions.

We are promoting their well-being to whatever extent we can by putting pressure on our own government. I might say to Joe Curran that as far as the gold question is concerned, we intend to officially request our Government to withhold its purchase of South African gold for a little while.

(Applause.)

I would like to impress you again that all of this activity is for the purpose of allowing the people of Africa to emerge into freedom in a manner of their own choosing.

Thank you.

(Applause.)

CHAIRMAN HARRISON: Thank you, President Meany.

Now, before we conclude today's session, I would like to remind the conferees that tomorrow, April 20, at the morning session, commencing approximately at 9:30, we will have the privilege of hearing General John B. Medaris. He will discuss "The State of Our National Defense." Perhaps many of you will recall that General Medaris was the chief engineer of our missile and rocket program.

He will be followed by Dr. Henry A. Kissinger, who will discuss "Germany: the Core of the European Problem and the Summit."

I therefore encourage and urge all of you conferees to return to our conference in the morning.

Thank you very much for your patience and for your attention and for your unselfish participation.

(At 4:30 p. m. the conference was adjourned to reconvene at 9:30 a. m., Wednesday, April 20, 1960.)

PROCEEDINGS

SECOND DAY—MORNING SESSION

Wednesday, April 20, 1960

CHAIRMAN HARRISON: I apologize for the slight delay, but I was waiting for the members of the conference to come into the meeting room.

This morning we will resume the program as shown in the printed copy that you have in your possession. These programs were distributed to all conferees. The subject that we will take up at this moment is "The State of Our National Defense."

We are exceedingly fortunate in having with us this morning as our guest speaker a very distinguished member of our military establishment. General Medaris comes to us after a long career in our military establishment wherein he served with distinction and honor.

General Medaris has worked closely in the development of our missile program, and I know he will have a message of great importance and tremendous interest to the members of our conference. I am happy to present to you at this time General Medaris.

(Applause.)

GEN. JOHN B. MEDARIS

"The State of Our National Defense"

GENERAL MEDARIS: Distinguished gentlemen on the platform, Mr. Reuther:

To me it is more than a pleasure to be here this morning. I am personally inspired by the fact that you gentlemen, who have such great influence in our affairs today and upon our people, would take the time and make the effort—and it is an effort to

study these abstruse matters that are, after all, going to have such a bearing on your future—to call upon me to address you.

Of course, I had to ask myself the question when the subject was assigned to me—"The State of Our National Defense"—the defense of what?

We have to recognize, first, I think, that we have something to defend and just what that is. If we are interested in the defense of a piece of territory, that is one thing; but I don't think that is what we are interested in. I think that we, as people, have interests far beyond that. What we are really interested in is not defending but propagating a way of life.

Any intelligent consideration of the state of our national defense demands that we first define our objectives. This is essential in order that we have something against which to measure our position.

There has been so much said and written on this particular topic in recent months that even the so-called experts appear to be confused. To the ordinary citizen with many more personal matters to occupy his attention, the situation must be totally unintelligible. Nevertheless, it is urgently important to the nation's welfare that the basic facts be known and recognized, however painful and difficult may be the processes of digging them out.

I believe it was Walter Lippmann who observed that the citizen of a democracy must not avoid his own responsibility, but neither can he assume the responsibilities of government. He must choose his governors, and then must rely upon those governors to conduct the affairs of government. However, in order that he may intelligently choose his leaders, the citizen must keep informed on the major issues that directly affect the progress and the security of his country, and must inform himself as to the attitude of the prospective leaders with respect to those issues. It is certainly not unusual that the defense issue has been injected into the political arena. The resulting challenging discussion in the heat of a political campaign can be helpful, but only if the participants are sincerely concerned with what is best for the nation, and if they can resist the temptation to traffic with defense issues for purely political advantage.

The time available today will not permit a detailed examination of all of the million and one elements of our total defense structure. Consequently, I shall limit my discussion to the major elements of military power, pointing out some of the implications that are inherent in its application, and attempt to draw rather obvious conclusions which may interest this audience.

Let me begin by suggesting rational criteria against which we

may measure the state of our defense in terms of the real and of the potential dangers that threaten us. However, if we restrict our considerations to the specific elements of normal military power, we will be ignoring other threats that certainly can be disastrously costly if they are not recognized and counted. Some of those dangers are very remote from the traditional forms of destruction. Some are as elusive as human motives and human desires. Others, difficult to understand, may be based on the advancing technology and the conquest of outer space, representing a new dimension, which for those able to understand the implications, has gravely altered the fundamental concepts of strategy.

Threats to Our National Security

As a first measurement of the exact purpose of our national defense, we must identify the types of threats that are known to exist, and also those that we may anticipate. These are not all dangers derived from military force. Some of the most perilous are internal in their origin and therefore difficult to recognize. These may be found in the measure and strength of the subversive elements that are constantly at work among us, including not only a subversion of our belief in our own kind of free society, but also the equally dangerous subversion that saps our strength and our will to defend our way of life by knowingly or unknowingly foreseeing deficiencies in our society that operate to impair our unity.

Other threats, still short of armed attack, may be external in their origin, raised against us by the attitudes and international operations of other powers. These are sometimes highly selective in terms of the targets in our society against which they are directed. By being selective they may tend to create an attitude of indifference on the part of most of our people and a tendency towards division. It is often difficult to recognize that a shaft directed against any element of our free society is, in fact, a threat to every one of us. Many of these threats are in terms of provocation short of war and yet highly inimical to our national interest. I'm sure you all know history of that kind is being recorded daily in our newspapers.

The consequences of these external threats may be such as to endanger our individual citizens or the property of those citizens, or the people and institutions of nations allied with us in the struggle to preserve freedom. In such a threat, the pirates of the Barbary Coast put this young nation to a severe test, when the United States had just begun to emerge from colonial status to assume the stature of a potential world power. The timely, vigorous and decisive action then taken did much to establish our right to be considered a sovereign nation and to enjoy with others the freedom of the seas.

Today, provocation and assaults upon our sovereignty have become almost daily occurrences in this period of burgeoning nationalism. Rather like brawling youngsters not yet accustomed to the responsibilities of maturity and independence, our citizens and their property become attractive targets for those who are first trying their strength. It is like the campaign in the daily newspapers against father: you whittle him down to where he doesn't amount to much.

In our naive desire to make common cause with those who seek independence, we seem to have blithely tossed aside what should be our proper concern with the preservation of our dignity of sovereign power. We seem to forget that American citizens must have the right to expect fair treatment everywhere and to expect proper consideration for their property.

Before I am accused of advocating colonialism, let me add that I do not deny the right of any country to embark upon a program of internal reform which may include the nationalization of property. But I do believe that when such action is taken, our citizens should find their Government adamantly insisting upon the proper respect for and the protection of their rightful interests. Where the basic rights of the citizens of other sovereign countries are concerned in such national action, and when those rights have arisen from actions taken in good faith, it does not seem to me that any nation can honestly claim the right to determine the value of property it intends to confiscate, and that such determination should be the proper function of an international tribunal.

Now if our Government cannot or does not insist upon adequate safeguards for the rights of our citizens, how can we, as a nation, logically expect those citizens to be zealous in the protection of our country, which is in fact the sum of its people? It must also be understood that any threat against our allies requires that we stand solidly and move promptly to fulfill the solemn commitments that have been undertaken in our mutual interests. The powers of massive destruction have made this an age of great wars and this, in turn, demands that we maintain close and friendly alliance with those of common basic purpose. Such alliances can be preserved and strengthened only if we are ready and willing to honor all reciprocal obligations in any time of danger, whether the danger stems from the threat of military power or from any other external effort to impair the strength of our friends.

Kind of Defense Needed

Having considered the wide range of threats against which we must prepare ourselves, I suggest as a second measurement of our defense posture that the sum of our military power must represent such an assortment of resources as to permit judicious and selective application of the means necessary to stop incipient trouble in its tracks and prevent the spread of the problem. Our military resources must be of a nature that will permit the careful choice of the appropriate surgeon's scalpel to meet the immediate need. Most significantly, to be consistent with our nature, our military power must be susceptible of intelligent usage under reasonable restraint, and not such as to be useless unless impulsively applied in such a way as to create more havoc than we can possibly cure afterward.

In weighing the position of our defense against this second yardstick, I am led inevitably to the conclusion that something is sadly lacking. For example, funds have been liberally provided to design, develop and launch earth satellites equipped with advanced electronic systems for the purpose of augmenting our means of detection. Even more funds have been provided to develop other early warning systems to extend far out the radar picket fence guarding our perimeter.

The missions of both the earthbound and the space systems are to detect and identify ballistic missiles as soon as possible after—and I emphasize the word "after"—they are launched from pads thousands of miles away. No one can guarrel with the principle involved—to obtain vital information about any possible nuclear weapon that can traverse continents and oceans in less time than I shall be talking to you, but the record fails to indicate what, other than immediate resort to the whole course of retaliatory nuclear annihilation, we propose to do if we detect any such missile presumably fired against this continent. Can we take time to make certain that this is not a mistake? Can we stave off the requirement for flash decision by attempting to meet and shoot down such an apparent threat? Such an approach would seem to be that dictated by reasonable prudence. Yet funds are denied for the production and deployment of the only presently visible potential means by which we might gain time to think. We must then accept the incoming destruction as inevitable and lose the first battle, or resort to the flaming sword of retaliation, thereby admitting that all is lost and condemning mankind to Armageddon.

Surely a positive and certain retaliatory capability is the best and most effective deterrent against the possibility of an allout, massive attack bringing sudden annihilation. But if the purpose of that capability is achieved, the weapon itself will never be used. Conversely, if that power of destruction is ever used, it has failed of its purpose. Yet there is no hesitancy to appropriate all the money that is claimed to be required to develop and maintain a retaliatory power on a scale sufficient to destroy the world and all its people. I suggest that this is contrary to our overriding purpose, which is constructive and not destruc-

tive. To maintain and further that constructive purpose, we must devote our energies and resources to finding a suitable alternative to instantaneous and massive retaliatory destruction.

Our Defense Must Be Selective

As a third approach to measuring the state of our national defense as related to the threats against us. I insist that we must develop and maintain the capability to move selectively as the exact circumstances demand and to counter any threat to our freedom and safety or our position as a sovereign nation.. Such a capability for lightning intervention must exist and it must be known to exist and it must be sufficient to meet and cope with any threat anywhere. I am convinced that it does not exist. Whatever effective and selective military power we have developed in our Army, the capability of moving the necessary force to the required point is far from sufficient. Furthermore, the force responsible for meeting limited threats anywhere in the world does not have direct access to the means of transport, but must petition from those who have what airlift is available the means essential to carrying out the basic mission of the Army. I will have more to say on that subject a little later.

Clash Between Ways of Life

Fourthly, if we are to correctly measure the state of our defenses, we must recognize that our way of life is embroiled in a struggle to the finish, against a resourceful and ruthless opponent. The clash is not between nations, it is between two ways of life that have completely divergent attitudes with respect to the position of the human individual and organized society. One philosophy denies any importance to the individual and considers that individual merely the creature of an allpowerful and omniscient state which is free to exploit him and his abilities and his future as it wishes. The other philosophy. which is basic to our whole attitude, considers the individual as the source from which the state derives its power, and contends that the nation exists primarily to preserve the God-given rights and individual dignities of its citizens. The field of conflict between these opposite philosophies is so broad and so profound that it encompasses every element of international power-military, economic, diplomatic, political, psychological and spiritual.

Clausewitz, an authority on warfare, observed that in human conflict the moral is to the physical as three is to one. Three-fourths of our strength must, therefore, rest on the human courage and stamina of a free people, and will be given substance only by the will of those people. Basic to our total defense posture is the unquestioned public will to use our national power if necessary, and without delay. Our present stature is the re-

sult of a continuing national determination to resist aggression whenever it has been raised against us.

Efficient Decision-Making Process Necessary

This latter condition leads directly to my fifth and final yardstick for the measurement of our defense posture. Whatever may be our determination, or how carefully tailored may be our defense resource, unless these strengths are supported by a process of national decision that will permit the rapid and decisive use, or restraint of military power, the resources themselves are of no value. Our fifth criteria is, therefore, concerned with the efficiency of the decision-making process.

Once more the fact is not consistent with the need. Our process of arriving at decision has been so confused, weakened, delayed and compromised by the multiplicity of forces acting upon it as to be a real hazard in any attempt to provide efficient national defense. It seems to me that a great part of the delay in our process in arriving at vital decisions is traceable to the intrusions on a day-to-day basis of a multiplicity of pressure groups into the executive processes of directing the current actions of the Government. By their very nature, all pressure groups are divisive, since each supports one set of desires at the expense of other objectives. When these varied pressures act continually upon the executive process, the result is the achievement of a balance of total compromise dictated by expediency. The end product is relative inaction. It is as if you had a metal ball suspended in a sphere and you put enough anti-magnetic attraction on each side that it just stayed in the center, and until the forces were out of balance it would not move. Perhaps we forget that indecision is, of itself, a decision, and that in the light of history a vigorous mistake is many times more effective than no action. If we, as a people, continue to exert such daily pressures as to vitiate the capabilities of those we have elected to make our decisions, there is little possibility that our defense structure can be precisely tailored to our requirements, or that our national power can be promptly used as needed.

Varying and opposing pressures stemming from such considerations as the desire to preserve the status quo, to support current employment levels in specific areas, the innate fear of technological displacment and other such elements seem to me to do more to distort and upset proper decisions with respect to the basic elements of national defense than any other group of factors. Delays in decision pyramid the cost of new weapons title all, we buy obsolescence and pay a staggering price for it. Our programs seem often to be shaped to suit the needs of specific industries rather than being tailored to the dictates of weapons requirements. We seem to be determined to use exist-

ing skills without regard to the basic question of whether those skills are advancing our technology and our production capability or holding us back. We achieve political and economic peace, but we do so at the risk, gentlemen, of total international impotence and finally of military defeat.

As I turn now for a moment to the valuation of what we have achieved by way of major weapons systems, I would ask you to look again at the real objective of our national defense. It must be constructive and not purely destructive, otherwise it fails in its basic mission. Against that particular objective, I suggest that the current practice of handing out all the money anyone believes he needs to increase and pyramid the capability for atomic retaliation is a sheer waste of our national resources. At the same time, the current refusal to provide money for the means that might allow us to "stop and think" invites disaster.

We Need Mobile, Flexible Power

I am quite convinced that at this moment, we have enough destructive capability measured in pure military power to deter any allout attack. On the other hand, I would insist that we do not have a sufficient, available, and mobile flexible power to achieve other and more desirable objectives. The problem, however, is not of this moment. By the nature of the critical lead time involved in any change of direction in the development and production of modern weapons systems, there is little we can do of importance which would substantially change our military posture during the next four to five years. My concern, therefore, relates to the military situation as it will exist in 1964-1965, rather than in 1960. We must make the decisions today that will provide the capabilities we may need most urgently five years from now. In other directions than purely military effort, we can, of course, act in much less time.

The nation's defense today appears to be dedicated to the philosophy of over-kill, of wholly unnecessary redundancy and of costly duplication in the provision of means to execute massive destruction. Almost without regard to anything a potential enemy might do, I hope we can come to an understanding of two basic facts:

First, any weapon is useful so long as it is capable of doing the job for which it was designed. It does not become obsolete simply because it is possible to make a better weapon. It only becomes obsolete if it cannot do its job, if it is impotent in the military field in the sense in which it was made. We are spending not millions but billions to replace weapons solely because we know how to make a 1960 model and not because the 1960 model can do any more killing, or do it any better, than the 1956 model.

Secondly, our total weapons of retaliation are quite sufficient so long as they are capable of inflicting unacceptable damage upon any aggressor. Anything beyond that quantity or quality is unnecessary and should not be provided at the expense of more important objectives.

In my considered opinion, the combination of atomic striking power represented by the Strategic Air Command and other elements of the retaliatory capability satisfies a reasonable counterstrike requirement. Given any means by which 50 to 100 megatons of atomic destruction can be placed on the territory of a potential enemy, it is obvious that the potential damage is so severe that he cannot afford to pay the price. Beyond that reasonable amount of assurance, and perhaps with even less, there is no further justification for continuing to pile up relatively useless destructive force.

I am forced to conclude that the approved programs for the development, production and deployment of intercontinental ballistic missiles involving many billions of dollars will go far beyond the basic need. If those programs are carried out to the last rocket, we will have many times more than enough to guarantee unacceptable damage upon any enemy.

Three separate ICBM systems are simply too many. By what logic we continue to pursue two more beyond one already having operational capability, I do not understand. It appears that the fear engendered by Soviet rockets has destroyed prudent judgment for it is exclusively in this area of massive retaliation that such expensive duplication is permitted to exist. A prominent Senator recently estimated that our present stockpile of atomic weapons represented the equivalent of 10 tons of TNT for every man, woman and child on earth. That's right—and he was right, both ways. Maybe more than that. I don't know, but it is at least that much. It seems to me that we are preparing not for retaliation, but for obliteration.

At the same time, a single land-based ICBM system will, in the next fiscal year, require the further expenditure of approximately one and a half billion dollars. A like amount will be required to support another system which has yet to be deployed. Half a billion more will be spent in the next year for a brand-new ICBM system that is supposed to obsolete its costly predecessors in a few years. The figures assume almost astronomical proportions. Since 1950 approximately 25 billion dollars have been spent for all our missile programs. The overall investment in two liquid propellant ICBM systems is estimated to be nearly 10 billion dollars, and this will buy more than twice the amount of nuclear destruction that I mentioned as being required.

The Polaris submarine-transported system will cost approxi-

mately 9.9 billion dollars to provide 45 submarines costing about \$100,000,000 each with the required complement of missiles at a million dollars apiece.

I think one is forced to ponder the overall impact of these programs upon the national economy and to recognize the not-too-remote possibility that we might find ourselves armed for total human destruction, and with little else.

Polaris System Best Bet

Personally, I consider the Polaris system the best bet for the retaliatory striking power for the near future. It offers the advantage of concealment to a much more realistic degree than the entombment of concrete-protected, land-based missiles. Its mobility is far superior to any land-based system, if ever such a system is made mobile. Its range coupled with its underwater capability provides a flexibility that will meet most requirements, so that Polaris, again, in reasonable quantities, combined with a very reasonable number of land-based ICBMs capable of striking the few targets beyond its reach, would, in my opinion, suffice for the counter-strike capability needed by this country. Those who play the numbers racket by advocating more and more ICBMs without regard to the limited nature of the requirement, and with an apparent total disregard of the cost in time, labor, material and money, I believe are rendering a disservice to the nation.

At the same time, our geographic situation cries out for a self-contained globally-mobile, light-weight force which could deal promptly with any localized threat to our security or that of our allies. The nation should assign the highest priority to the provision of a sufficient airlift to move in one single motion, a highly trained force, fully equipped with its own weapons support, that could stand alone until more power could be brought to bear, if necessary. Strategic mobility, not inflexibility, and precision forces rather than massive and heavyweight equipment are the logical backbone for our future defense structure.

The alternative is to man heavily all the frontiers of the world. Even with the assistance of our allies, we cannot achieve the objective in sufficient force to meet whatever threat could be marshalled against us at a single time and place of an enemy's choice.

Central reserves with global mobility are the only practical solution to meet our present commitments. If that kind of protective force demanded by the foreseeable future cannot be provided, the alternative is to reduce our international commitments. If we must take that course, we must forsake some of our allies and we automatically reduce our international influence.

Where would the withdrawal stop? In Fortress America?

That was an empty dream of the past and is completely unattainable at a time when fast action, world-wide communications and transportation, and long-range striking power are not a monopoly of the free world. We cannot live alone when the initiative and the unmistakable means to impose their will upon less powerful states are in the hands of those who would destroy freedom.

Adequate Defense Against ICBM's

As I turn now to assess our defensive measures as opposed to the counter-strike and the requirement for mobile, self-contained and self-sufficient forces to carry the fight to the enemy, I would like to paraphrase an old cliche. When offensive capabilities are equal, the best offense is a good defense. Certainly the most urgent requirement is adequate defense against the nuclear-tipped ICBM.

The long-range missile has assumed fearsome proportions because it has not been intelligently evaluated for what it is, a man-made device capable of being defeated by a superior technology. Because we have allowed fear to dominate our reaction, so-called organized civil defense planning is thoroughly unrealistic, impractical and entirely contradictory to our national philosophy. The concept of mass evacuation of high density population centers and the burial of our citizenry in deep shelters would negate any kind of positive reaction to attack. It would convert our people into a horde of rabbits scurrying for warrens where they would cower helplessly waiting the coming of a conqueror. How much more logical it would be to defeat the menace which engenders irrational fear.

Certainly, and most desperately, we need a positive civil defense program that will teach the people how to react in emergency, how to fight panic, how to prevent chaos—not how to create panic and how to create chaos. They want to know how to do these things which are essential to national survival. That is the kind of positive action that would appeal to the American people.

In the area of defensive weaponry, I will never accept the policy by which our resources are poured into a monstrous counter-strike capability, while the funds necessary to establish reasonable protection for our citizens against that very threat are withheld. Without a means to defend them, we fail to protect their will to resist. We deny them reason to fight back.

Certainly, it may not be technically possible to construct an absolute defense against ballistic missile attacks, but I insist that we can develop a weapon of sufficient capability to tip the balance of power. When we can do something the aggressor cannot do, we shall have a positive deterrent.

Consider if you will the awesome consequences of unlimited nuclear devastation. There would be little sanity in destroying half of Russia and Asia if, before that judgment were delivered, the 20 largest cities of the United States suffered wholesale slaughter and monstrous damage. All that would be left to us would be no more than an act of savage revenge.

What are we planning to do with those cities—with New York, Chicago, Detroit, Pittsburgh, Cleveland, and their sister metropolitan centers? They cannot be hardened, concealed, depopulated or dispersed. They cannot be lightly written off as the anticipated price of surprise assault. The cold, pitiless light of logic dictates that we find the means to protect them against sudden annihilation. The need for such a defense against air attack has been recognized by the development and deployment of guided missile systems which protect major population centers and strategic targets. They are ringed with batteries of reliable missiles that can defeat a single bomber, or an entire squadron, including the highest performance jets known or anticipated.

Nike Zeus Answer to Missile Threat

We have one present answer to the more formidable ballistic missile threat. This is the Nike Zeus, the anti-missile system now in advanced development. Everybody admits that at the present time it is the only conceivable and positive defense for the next decade. Better means may be devised in the future as the result of active research, but the nature of them is not nearly sufficiently known at this time to warrant the commitment of resources to their development. The lead time which must be expended in the genesis of any such complex weapons system compels me to conclude that no really new approach could be available for deployment prior to 1970. Meantime the inhabitants of our concentrated industrial centers are living under the dread shadow of the nuclear bomb suspended only by the thin thread of an enemy's rationality.

For every day that we delay committing the Zeus system to production we pay a day's penalty in its availability. Gentlemen, I don't work for any contractor or any Nike Zeus.

(Applause).

I'm talking as an American citizen who believes that the citizens of our cities have a right to some defense. Those who delay that action assume a burdensome responsibility for the survival of millions of men, women and children. And remember that our major centers of industry and commerce are themselves vital factors to survival in time of war.

Until my retirement from the active Army February 1st, I directed the anti-missile system development for the Ordnance

Corps. Based upon my personal knowledge, I can assure you that the immediate and discernible problem of straightforward defense against ballistic missiles is fully in hand. I am likewise convinced that additional defense against more sophisticated weapons that may be developed can and will be solved at least as fast as they can be brought against us.

It is strange that the urgency which has motivated the ballistic missile programs seems to be lacking in the indecision surrounding Zeus. Great virtue has been ascribed to the technique of production, the training of troops and preparation for deployment in both IRBM and ICBM programs. So-called concurrency has been widely advertised as the answer to the rapid obsolescence brought on by swift technological progress. Yet that policy has not been applied, through no fault of those managing the program, in the case of a weapon of such tremendous importance as is the Zeus.

Too much time has been wasted in arguing the need for demonstrating the full effectiveness of the Zeus system before initiating the production of scarce components. The fundamental issue has been submerged in a controversy between military and civilian judgment. It can be stated in the simplest terms. Are we to make an effort to defend the major cities of the country against ballistic missiles during the next ten years? That's a very simple question. I say that we cannot afford to delay any longer in getting about the job of having the best weapon we could find put into position so as to contribute something to the defense of our population. I would not have on my conscience the responsibility for withholding affirmative decision.

All too often, in our weapons programs, necessary decisions have come belatedly or have been indefinitely postponed because someone failed to understand the full meaning of the consequences. An example may point the moral. The swept sky strategy could double the efficiency of our air defense. On the contrary, in the present state of those defenses, every friendly interceptor plane become a hazard. It is nothing more than a liability assessed upon the air force commander who cannot bring his guided missiles to bear with maximum effectiveness lest he shoot down a friendly aircraft.

Recently a former Secretary of Defense, Robert A. Lovett, testified to the problem he encountered in the defense structure. I want to quote his statement:

"The derogation of the authority of the individual in government and the exaltation of the anonymous mass has resulted in a noticeable lack of decisiveness. Committees cannot effectively replace the decision-making power of the individual who takes the oath of office. Nor can committees provide the essential qualities of leadership. Some, occas-

sionally, serve those in authority as a device to postpone or avoid making decisions themselves; others sometimes seem to spring into being because higher authority does not fully trust the judgment of the subordinate executive. But two heads are not always better than one—particularly if they are growing on the same body."

(Laughter).

That's the end of the quotation, and I love it.

(Laughter).

It is high time we replaced delay with action and indecision with firm leadership!

We Cannot Be Second Best in Space

Any discussion of national defense in the Space Age must consider the military implications of the extension of human activity into this new environment. I disagree heartily with those who say that because we cannot define the exact nature of the space threat, we have no instant requirement for developing a military potential to counter it. We must release earthbound imaginations. We dare not attempt to limit our appraisal because we cannot fully understand the possible extensions of space technology. The lesson of history is plain. Wherever man can exist and carry with him a tolerable environment into a new dimension, there we may eventually anticipate that he will get into a fight. That has already occurred on the land, on and under the sea, and in the air envelope that surrounds the earth.

Until the space environment is fully understood, we cannot understand its full implications. I believe that the free world must attain and maintain no less than a parity, and preferably a margin of clear superiority, in space exploration and exploitation. I consider the decision to achieve parity and eventual superiority one of the most momentous of our day. We are living in a time when technological victories can be just as important as victory on the battlefield. Conversely, technological inferiority can be equally as costly as inferior military power:

If this grim competition for the mastery of space is as critically urgent as I believe it to be, we face two alternatives. Either we must spend more in dollars and effort to expedite and expand our program, cutting back every unnecessary effort in the process, or we must find a way to increase the efficiency of our program by a substantial margin. The haphazard organization of both missile and space programs has militated against efficiency and invited duplication. They are functionally splintered among four agencies, each of which acts almost independently of the others. One is located outside the Department of

Defense. The other three active participants are the three armed services.

In attempting to resolve the organizational problem, the Defense Department revised service missions in the fall of last The Air Force was assigned developmental and operational responsibilities for the military space program. Army was given the task of developing a communications satellite system and the Navy was authorized to develop a navigational system—the satellite. This was supposed to settle old controversies. Actually, all it did was to start confusion and another go-around of rivalry. The apparent assumption that Air Force alone had the capability with which to prosecute its assigned missions was totally erroneous. The other services were effectively barred from contributing their talents and facilities in support of a united effort. The idea of a joint committee was rejected. No technically competent authority directs both the vehicle and the payload programs. I repeat: No technically competent authority directs both the vehicle and the payload programs, so we have to have a committee. Consequently, the decisive and driving force demanded for success is lacking. No one is totally responsible for the overall mission and what is everybody's business can only end up being nobody's business.

An equally mistaken notion sparked the creation of a national space agency. The pleasing but fallacious theory was that scientific explorations and military space requirements could be neatly defined and compartmented. I can find no basis in fact or reason for such a conclusion. There is so little difference between the two programs from the purely technical viewpoint that separation cannot be justified. A few illustrations will suffice to demonstrate this conclusion.

Both must utilize reaction type engines, liquid or solid, whose operation requires rather sophisticated control. This characteristic is fundamental to every rocket-powered vehicle, whether it be a short-range ballistic missile or a more ambitious vehicle transporting an interplanetary probe. Development and operational features stem from the same technology in all of these systems. Similarly, the control systems which may be carried on the board or located in ground stations derived from common parentage. I could cite as many examples of commonality as there are components. There is a common need to obtain electronic propagation from the missile or space vehicle throughout its course, a like requirement for guided systems that perform identical functions, a common need to maintain long-range communications between the vehicle and points on earth.

The civilian space program has depended almost entirely upon

the technology developed by the military services for its vehicles, its communication systems, its guidance and control mechanisms and for propulsion elements. The two programs are inter-related even from the standpoint of scientific interest and knowledge. Scientific exploration is by no means inconsistent with military objectives as our competitors behind the Iron Curtain realized long ago. New military technology is born out of scientific discoveries. All the military services support and encourage basic research to the limit of the comparatively modest sums allowed them for this purpose.

Finally, and I consider this a particularly cogent consideration, the military and civilian missile and space programs depend upon the same physical and manpower resources. There is no engineering or production facility employed in important space projects that is not simultaneously involved in one or more military programs. The continuing exploitation of outer space must make use of the same facilities and brainpower now being utilized in the nation defense program. Yet by arbitrary choice apparently dictated by humanistic or political considerations, we have tried to divide the indivisible. It costs us money right out of our pocket.

Glaring inconsistencies are evident in the compromise solution. While a military service has the operational mission in space, it does not have the responsibility for development of the large rockets, or "super boosters" as they are called, that are required for manned space flight. In October, 1959, it was decided to entrust the super-rocket program solely to civilian management. The Air Force must obtain from that source the bigger rockets it will need in the reasonably near future for any operation of man in space. It is indeed a queer turn of events when an agency outside the control of the Defense Establishment is the sole source for procurement of material essential to a vital weapons development program.

Missile and Space Effort Should Be Unified

I believe the one best way to assure success, to eliminate duplication and waste, is to unify the entire missile and space effort. It is the only guarantee against failure and the only protection against the possibility of bankrupting the country as the proportions of current and projected investments in the enormously costly retaliatory capability portend.

If it is to be truly unified, the missile and space programs, military and civilian, must be placed within the framework of the Department of Defense. In keeping with the trend encouraged by the Congress in recent years, it would be entirely logical to establish a Joint Command under the Joint Chiefs of

Staff, to which should be entrusted the undivided responsibility for directing the major missile and space activities.

This, alone, would permit maximum utilization of the expert talent and the unique facilities administered by the three services. The scientific community could be represented at the command level to assure adequate consideration of science interests. Thus we could align individual and national objectives and the overall program would benefit from a joint and coordinated approach. I recommended to the Congress a few weeks ago that thorough consideration should be given to the proposed course of action. I'm not fixed on the subject. I would support any other proposal that offers the assurance of unity in the face of this most urgent end. I do not believe that our present course of action offers any assurance of unity. In fact, I think it is divisive by its very nature.

In summary, I will restate my conclusions concerning the state of the national defense:

We possess more than adequate retaliatory capability to inflict unacceptable damage upon a potential enemy.

We are needlessly wasting resources in the duplication and enlargement of that capability at the expense of more useful and therefore more important objectives.

We have singularly failed to recognize the urgency of providing the only visible means by which to protect our major centers of population, and the counter-strike power, against the threat of nuclear annihilation.

We have largely ignored the immediate requirement to provide self-sufficient forces with adequate mobility to deal with the likelier threats of less than total aggression.

Excesses in the massive retaliatory capability and shortcomings in other forms of military power instantly available for use have endangered the nation's security and vitiated the free world's collective strength.

Compromise and expediency dictated by pressure groups have adversely affected our defense posture.

The splintering of the missile and space programs has delayed progress at enormous cost and lowered our international prestige.

In closing, I would emphasize that none of these problems is incurable. Timely, intelligent and forceful decisions arrived at in the national interest can undo much of the mischief though they cannot recover lost time or squandered resources. The cure lies within us and it can be applied through the normal processes of democratic government.

I would say to you as individuals and as leaders of men that our people must awaken to the obligations and duties of citizenship at this time when other free men look to them for leadership. They must recognize that they are citizens first, and that selfish or local interests, or the peculiar special requirements of any one group within the framework of our citizenry must take second place. They must fully understand the nature of the total threat to their security and to their freedom and that this threat is by no means limited to the military sphere. Selfishness, softness, lack of understanding and disinterest can be just as deadly to America's future as any lack of military power. The crises of these times demand patriotism of the highest order. If our people understand this fact, I have no doubt that they will rise fully to the occasion and demonstrate that the strength of free men is far superior to any system of slavery.

Thank you.

(Rising applause.)

CHAIRMAN HARRISON: May I have your attention now.

I think your reaction to the address of General Medaris is best interpreted by your conduct following the close of his speech. I couldn't help getting the impression from the way you reacted that he brought you information of startling value and that you enjoyed everything he said.

I want to tell the General, on your behalf, that he has made a tremendous contribution to our conference.

(Applause.)

We appreciate it.

I'm sure, General Medaris, that those who had the privilege of hearing you this morning will ponder the questions you presented: you certainly did a job of stimulating our thinking upon the problem that you presented.

Thank you very much for coming.

We will continue with the usual procedure this morning. The Chair will be glad to recognize any conferee who wishes to comment or ask questions for the next thirty minutes.

EVELYN McGURIN (I.E.U. representative from Canada): I would like to say a few words. I think that this presentation of this address was very nice, and I enjoyed listening to it very much, but I would like to also point out that in Canada the labor force is negotiating and working towards world peace through negotiations for disarmament programs. Some of the money being used for bombs to destroy the people, the American people as well as the Canadian people, and the whole world, can be used

for better purposes and could be used to build our people rather than destroy them. I think that gradually—sure, we can make better bombs, but while we keep on trying to see who can make the best bomb to destroy us all, it will not help us in the end.

Thank you.

CHAIRMAN HARRISON: Thank you, Sister McGurin.

Any further comments? Any questions?

Well, General, we have very little desire among the conferees to question what you had to say, generally.

The Chair now wishes to recognize Vice President James B, Carey.

JAMES CAREY

MR. CAREY: General Medaris has set forth very clearly our capabilities for annihilation. We have the weapons to deter any enemy or potential enemy.

I wonder, however, if, in the face of that, some consideration should not be given to what steps we will have to take to rehabilitate and reconstruct the economies that an atomic war would so effectively destroy. Our nation since World War II has had to make tremendous expenditures to alleviate and reconstruct not only all our allies but all our ex-enemy countries. We have participated vigorously in the rehabilitation and reconstruction of the economies of Italy, of Austria, of Germany and Japan and other nations involved in the war.

It seems to me that possibly some consideration might be given in advance of total destruction to doing what we have ably demonstrated our ability to do after destruction. This may be a sound suggestion in view of the participation of the American labor movement in the Marshall Plan which was pointed up by President Meany as a great contribution to the peace of the world and as a deterrent against Communism in European countries.

I wonder if we couldn't have a Marshall Plan that could be useful today in these emerging countries of Asia and Africa? Think, if you will, of the \$19 billion or so expended in the Marshall Plan. Couldn't we expend a few billion dollars in these new developing countries? Twenty-three countries came into existence in the 40's and 50's. Some eight more are scheduled for the year of 1960. Some others will come into existence in 1961 and 1962. I question whether our military establishment today can set forth their requirements for 1961, 1962 and 1963 to those who produce the goods. I doubt if it is possible to anticipate what our military needs will be several years hence.

We know we have the ability to produce these weapons of war and, of course, a great part of the expenditure for such weapons is in the area of design and engineering. But if a small portion of the tremendous talent possessed by this country could be used successfully to convert seawater for irrigation in some of the countries of Asia, Africa and South America, what a tremendous contribution that would be in specifically meeting their needs. Now that we have attained this position of being able to deter and to counter any offensive action against us, is it not possible that our nation making these large expenditures could undertake such an offer, that the people of this nation could freely make such an offer.

Perhaps there are other ways not just of defending ourselves in counter-attack but to strengthen ourselves in negotiations to avoid the necessity of using these powerful weapons of annihilation. It would seem to me that we can and should develop some methods of avoiding the use of these retaliatory weapons.

Some way, some how we must identify ourselves with the future of peace and, of course, we must recognize the great expenditure that follows a tremendous war in rehabilitating our former enemies. I would suggest that all is not bad.

It seems to me that now is the time to see if we can devote some of the initiative and talent that have been so successful in finding weapons of war to finding some weapons of peace.

CHAIRMAN HARRISON: Thank you, Brother Carey.

Is there any further discussion? Are there any further questions?

If not, we will pass on to the next item on the program.

The next subject to be discussed is "Germany—the Core of the European Problem and the Summit."

Before presenting our guest speaker, I should like to read to the conference a cable that President George Meany received from Chancellor Konrad Adenauer of the Federal Republic of Germany under date of April 19.

"Mr. George Meany, National Labor Conference on Foreign Affairs, Commodore Hotel, New York, N. Y.

"The unswerving position of the American trade-union movement is of great significance to the entire free world. I wish the Conference on World Affairs fullest success and to you and all its participants.

"Best regards, Konrad Adenauer, Chancellor, Federal Republic of Germany."

(Applause.)

Our guest speaker who will discuss the subject and now to be presented to the conference is Dr. Henry A. Kissinger. He is presently the Director of the International Seminar at Harvard University Center for International Affairs. We all know of him, of course, because he is a public figure. We get our information from his extensive and stimulating articles in many of our authoritative journals on international affairs. He has devoted endless energy, tremendous amounts of time, and he has tried to bring to the people of our country information on the world problems. Because of the views he has so forcefully expressed at these many meetings he has attended, he has become quite a target of the Soviet warlords and I know he will bring to you a most stimulating and interesting and informative message this morning.

I have great pleasure in presenting to our conference Dr. Henry A. Kissinger who will now address you on the subject: "Germany—the Core of the European Problem and the Summit."

Dr. Kissinger.

DR. HENRY A. KISSINGER

"Germany-the Core of the European Problem and the Summit"

Mr. Harrison, President Meany, ladies and gentlemen: To follow General Medaris is not an assignment which I particularly cherish, but I'm grateful for the opportunity to be able to talk to you. This is a group about which I feel very warmly indeed, both for what you are trying to do domestically and for the positions you have taken in international affairs.

In an atmosphere where we very often have a tendency to substitute rhetoric for policy and to strike a series of poses, I always have the feeling when I meet with my friends from the labor movement that you know that mere affirmations are not enough, that all of you have experienced that even the most beautiful program is meaningless unless it is carried out by people with dedication and a willingness to make sacrifices. I have been asked to talk to you about Germany, the Summit, and the European situation—a not excessively restrictive topic.

I would like to begin by saying that the problem of peace is not at issue; everybody would like to preserve the peace. Everybody would would like to see an end of the cold war. We should not debate in America about the desirability of peace but about the best means of achieving a peace which maintains our values and preserves our security. I do not think that we have the choice between security and development, between negotiation and attending to the immediate necessities. I feel very strongly that if we cannot do all of these things, we will not be able to do any of them. Secondly, it is obvious for any of us who have lived

through the past two decades that the problem of Germany presents peculiar psychological and moral problems to us, for all of us. And I might say for me too in my own life, the idea that once again Germany should be the focal point of the possibility of sacrifice is not an easy notion to accept; and yet difficult as it is, this is precisely the problem that we are confronted with today, and it is because the Soviet Union is aware of this difficulty that Germany and the European problem have come so much to the foreground.

Now we have in the past few weeks noticed a strange calm settle over the situation. We are told that the Soviets have become conciliatory; we are told that the Summit meeting is going to settle things; we are told that no one really wants a show-down. I would like to stress to you that the seriousness of the situation has not abated, that the calm we are experiencing seems to me to be the calm in the eve of a hurricane, and that the period of greatest difficulty is still ahead. When we look at the situation today and compare it with what is was when Mr. Khrushchev delivered his ultimatum, I think we have to admit to ourselves that it has already seriously deteriorated. It is the measure of our difficulty that we consider a Soviet concession the amelioration of a threat they should never have made in the first place. If the Soviet Union accepts something less than they originally demanded, this does not mean that they are being conciliatory; and our government is not doing a service either to the American people, or to the long-range cause of peace, by the constant implication that a change of tone is a change of policy and that somehow we can evade all difficult problems by generalized pronouncements such as I'm frank to say I consider the announcement at Camp David.

Now I have been disturbed by the reactions to the Berlin situation and to the German situation from the very beginning. We have heard such phrases as "Why shouldn't we improve the situation in Berlin?" "Why shouldn't the two Germanys settle things among themselves?" "Why is not the situation in Berlin abnormal?" "When two sides make unacceptable proposals, why is not the correct position to find a compromise somewhere in the middle?" "We must come up with new ideas."

Now of course we should improve the situation in Berlin. There can be no debate about this issue. The question is whether what has happened in the last eighteen months in fact has a tendency to improve the situation in Berlin. If we always say that if two sides make unacceptable proposals we must find a compromise somewhere in the middle, we are rewarding Soviet intransigence. We are then putting a premium on the statement of the most extreme demands in the hope that the thing that we will finally settle for will be a big step in advance of the status quo.

What does it mean that the two Germanys should settle unification among themselves when one of the two Germanys is a Soviet satellite imposed on the people by force and where unification would mean its end? This is a way of evading the problem and not of solving it. Also, if we ask ourselves if Mr. Khrushchev compares his position today with what it was in November 1958 when he made his unprovoked threat against Berlin, let us be honest with ourselves and admit that he can only draw the conclusion that the way to deal with the West is to threaten it since a month before the Summit meeting there is not yet an agreed Western position on Berlin.

Eighteen months after the threat on Berlin we are still debating on what to do if the Soviet Union should carry out its threats, and let's not forget that Mr. Khrushchev has told us and told us that he would carry it out. In the interval Mr. Khrushchev has been negotiating separately with each individual ally, and again even though these negotiations have been called conversations, they mean in effect the possibility of separate settlements. They would have no meaning otherwise.

In the diplomatic field at least, allied unity is severely impaired. There has been a demonstration of allied weakness; the President has said there's no sense in strengthening our forces in Europe because they couldn't do any good anyway, and he has also said that a nuclear war is unthinkable. I would like to know how he proposes to defend Berlin if these two propositions are both true. We have admitted that the situation in Berlin is abnormal; we have admitted Eastern Germany to the Foreign Ministers' Conference in the same status as Western Germany. All of this I would suggest to you indicates a deterioration of our position since last November.

What Is the Issue in Germany?

Now, what is the issue in Germany? Again, all of us who have memories of World War II cannot be happy about another conflict in central Europe, but the problem in Germany transcends any of our memories. Without Germany the advances to European integration that have been made would collapse. Without Germany, the prospects of the Atlantic Community towards which we must be working would become much lessened. Without Germany a defense of Europe will become impossible. The hope of the world is to tie Germany so closely to the western community that the hysterical tendencies and the potentially radical tendencies that undoubtedly exist cannot express themselves. If Germany should get the idea that having staked everything on close relations with the West it was left alone in its hour of need; if Germany should in fact conduct the flexible policy that everybody demands, it would wreck all the achievements of the last decade and a half. If people are concerned about Germany today, they

will have infinitely more reason to be concerned about a nationalistic Germany trying to exploit its central position, playing off both sides against each other. If Germany should get the feeling that, having attempted close relations with the West, we suddenly discovered in its hour of need how wicked it was; if Adenauer who, whatever failings he may have, has staked everything on a democratic Western-oriented Germany, if he hears nothing from the West except what an obdurate difficult man he is, then we are likely to see a new leader emerge in Germany, less rigid, to use a horrid word, less obstinate, but much more worrisome.

If the Soviets succeed in getting the West Germans maneuvering, they can then play France against Germany and us against Europe. They can produce the same kind of chaos that they did in the Middle East. Let us remember that in 1948 they backed Israel against the Arabs in order to stimulate nationalism. They then backed Egypt against the West in order to expel the West. They attempted to back Iraq in order to get a Communist foothold.

Now in this respect the situation in Berlin is a touchstone. People always say, "We cannot give Adenauer a veto over the Summit," but I must say quite honestly I don't understand why the Chancellor of Germany should not have an important voice in the fate of a German city. It isn't clear to me why the self-determination and the freedom of people which we are supposed to be defending in Asia and Africa shouldn't be equally applicable, and more so in Europe, or at least equally applicable. We can declare victory or defeat by press releases from Washington, but what is victory or defeat will depend upon what the Germans think.

I read the other day in the New York Times that the parties are already jockeying on who is to be blamed for the forthcoming defeat at the Summit. I'm not saying there will be a defeat at the Summit. I'm saying that eighteen months after the start of the Berlin crisis we should long since have settled the question that there couldn't possibly be any impairment of the freedom of Berlin. The mere fact that this is still an issue indicates the weakness and the failure and the lack of imagination of our policy.

Let me say a word here about the solutions to Berlin that have so far been advanced. It is often said, as I pointed out before, that we should improve the position of Berlin, and again there can be no conceivable debate about that point. I would doubt very seriously, however, whether the negotiations that have so far taken place represent an improvement of our position. I think they represent an impairment of our position. The Soviet Union threatened us without provocation; in return we have offered

them an interim agreement to regulate the status of Berlin, to limit the forces that are stationed there, not to conduct anticommunist activities from West Berlin, and not to station nuclear weapons and missiles in Berlin.

The Danger of an "Interim Agreement"

I think the offer not to station nuclear weapons in Berlin is ridiculous. We have none there now. I would like to call your attention to the danger of the words "interim agreement." By the mere fact of offering an interim agreement we have admitted that the status of Berlin is one in which a Soviet veto and a Soviet voice is essential. It is said that the Soviet Union should guarantee our rights after the end of the interim agreement, but let's be honest with ourselves. If the West is unwilling to defend its rights now, how can it possibly be brought to defend rights after the lapse of an interim agreement? How are we going to defend Berlin if the Soviet Union refuses after three years to renew the interim agreement? How are we going to determine anti-communist activities in West Berlin?

I don't think much of using West Berlin as a headquarters for intelligence operations, but I also don't think much of establishing some control commission to check into whether West Berlin does not in fact conduct anti-communist activities. To the Soviet Union, free trade unions, a free press and a free Berlin are anticommunist activities. What do we do if after a year or two of the interim agreement the Soviet Union announces that we have in fact conducted anti-communist activities and that the agreement no longer holds? Also in the whole debate on the status of Berlin, how many Americans know that the only access that we are purchasing for this interim agreement is the access to ten thousand American, British, and French troops in Berlin? How many know that the agreement would have nothing to do with the access to the civilian population of Berlin and that as soon as that agreement is signed the threat of a blockage for the civilian population of Berlin could be raised again, and the whole issue would start all over?

We are in a difficult position and the symbolic impact of Berlin will be very great. In the face of a threat to the very vitals of the Western alliance, the response was not a closing of ranks but a squabbling about what could be conceded. When you see that Britain and Germany are accusing each other of bad faith, would you have confidence that in your hour of need you would be protected by the West? If the Soviet Union can create the image that whenever they raise an issue, we feel under a compulsion to solve it, we will be in an increasingly hopeless position in the defense of the free world. Again, if anyone wants to improve the situation in Berlin, we can be infinitely flexible. This is certainly

not the problem, but if the Soviet Union offers us as a concession the gradual strangulation of Berlin, rather than the immediate collapse of it, we should be wise enough and firm enough to resist it.

The Problem of German Unification

Now let me go to the problem of Germany as a whole. It is said that nobody wants German unification. It is said that the logical thing to do is to get the two German regimes to negotiate with each other and to promote in Eastern Germany a liberal evolution similar to the one that has already taken place in Poland. It is interesting to observe the skill and cynicism of the Soviet approach. By offering a peace treaty to the two Germanys, they're in a position to declare in a little while that West Germany still being in a state of war with them does not represent the will of the German people. I would suggest to you that Soviet policy is not a policy of consolidation; it is a policy which cannot but lead to the radicalization of all of Germany. The situation in a country in which there are two different governments is inherently unstable. Both German governments must claim to represent the entire German people. Both German governments have to insist that they're interested in unification. There can be no real stability in Europe, no real peace in Europe, as long as these two governments exist side by side. The real threat to peace in Europe is the maintenance by force of the satellite regime in Eastern Germany, and we have to be honest enough to admit it to ourselves.

What does confederation really mean? How can one conceive that the most Stalinist of all satellites could possibly negotiate in good faith about unification? The example of Poland is no guide whatever; in Poland liberal Communism is identified with nationalism. Many anti-communists in Poland believe that the only way they can maintain a degree of national identity is to support the liberal, or relatively liberal, Communist regime. This is not the case in Eastern Germany. There nationalism and Communism are inconsistent with each other. There you cannot hope that people would support liberalization in the hope of maintaining their national identity. Also if you look at German history, you will find that Germany has menaced the peace in two ways. It has threatened the peace when it was strong, united, and separate from the West, but it has also threatened the peace when it was weak and divided; when Germany was weak and divided, all surrounding states tried to maintain the division and fought innumerable wars in order to maintain that division. If the division of Germany is infinitely maintained. you can expect that the east European countries, on nationalistic grounds, will exaggerate all tensions.

Now, there is an even deeper problem. It is this. If the western

allies accept the division of Germany as final, if the western allies press the Federal Republic to accept its present frontiers as its definite frontiers—I'm speaking of the frontiers of Western Germany, not of the Oder-Neisse line which I think we should accept, then you will get a gradual pressure for unification on Communist terms. You will then see that the East Germans will appear as the apostles of nationalism, and we in the interest of promoting stability will have brought about chaos. Khrushchev last year said the following:

"On what foundation should Germany be reunited? Can we agree when the capitalist group proposes to achieve the reunification of Germany at the expense of the German Democraitc Republic and thus narrow down the front of Socialism? The question can also be put thus: Why not reunite Germany by abolishing the capitalist system in West Germany and establishing there the power of the working class?

"If you want your children and grandchildren to remember you with gratitude, you should fight for the conclusion of a German peace treaty which would be an important step towards the reunification of Germany on our basis."

This is the extent of the peril we face.

Place Blame Where it Belongs

We can have a temporary stability; we can have peace if we consider it merely the absence of conflict, but all these formulas of confederation, of direct dealings of the two German states, will relax the tensions only until the Soviet Union is ready to press for reunification on its basis. Now I'm not saying we should fight a war in order to reunify Germany. I am simply saying that it is our duty to make clear who bears the responsibility for the division of Germany. We should place the Soviet Union constantly in the position of rejecting reasonable proposals and to bear the onus for it. If we are afraid of affirming the right of self-determination and the principle of human dignity, we are asserting in effect that we will make general proclamations only in areas where we have to do nothing except pass abstract resolutions.

I'm not asking for us to do any more than to go to the Summit conference with a concrete program in which we indicate what we understand by the unity of Germany and that if the Soviet Union rejects it, we make clear that they reject even the most moderate program. On the other hand, if the Soviet Union is worried about its security, if the Soviet Union is concerned about being attacked from Germany or from Europe, on that point we can be infinitely flexible. We have no intention of attacking them. We do not want Europe as an offensive base against the Soviet

Union. We can negotiate in good faith and with great elasticity about any program that in fact contributes to Soviet security against attack. What we cannot do is to give up either the principle of the rights of people to determine their own fate or to agree to the kind of scheme which improves not the defensive position of the Soviet Union but the offensive position.

In this connection I think that what the crisis in Europe has shown to us above all is the frivolity and the wrecklessness of our current military policy. It is true that we have the power to destroy the world several times over; it is true that we have to make greater progress in space, but we have to admit to ourselves that mere destructiveness is not enough. Our present military policy condemns us to an essentially irrational diplomacy; on any given crisis we have to make plausible to ourselves, to our allies and to the Soviet Union that we are prepared to destroy the world for some peripheral objective. In any given crisis we have to convey to our opponents that we will not ask the question whether Berlin or Germany or Iran is worth the hundreds of millions of lives. This we could do only if we behaved wrecklessly, and yet in practice at the beginning of each crisis, inevitably we are driven to say we will be calm, we will be collected, we will be rational, we will negotiate—in short we are bound by the values of our society to behave in a fashion calculated to convince the Soviet leaders that we are bluffing. I'm not saying that we should behave more wrecklessly. I am saying that since we cannot behave wrecklessly and should not, we should draw the proper conclusion; and if we had built up stronger forces in Europe, if NATO had done its duty, we would never have heard of Berlin. and we could face the present crisis with more confidence.

This goes to the very heart of some of the proposals that are being made in the security field. In the field of arms control we can make many agreements which enhance the Soviet security in the face of attack, but if we weaken the local forces in Europe even further, if we agree to schemes of disengagement as they have often been proposed, we will not improve the defensive position of the Soviet Union but the offensive position. We will increase even further the kind of blackmail that has brought us to our present impasse in Berlin.

Now you may think that I have advanced a program that has no possibility of being accepted, and I admit this; I do not believe that the Soviet Union will accept German unification. I do not believe that they will accept a reasonable program for arms control. I do not believe that they are really interested in a settlement. People said that Mr. Khrushchev started the Berlin crisis because he had something important to tell us. Well, we have seen Mr. Mikoyan; we've seen Mr. Koslov; and we have seen Mr. Khrushchev. What have they told us? What concrete proposals have they made designed to settle this issue? If the cold war was

not just an invention of two tired old men, if there were some concrete issues that produced it, it can be settled only in relation to these issues. It is definitely to the Soviet interest to get the impression that all that is needed is to sit around a table and that all that is needed is a general atmosphere of good will because such an atmosphere is demoralizing for the entire free world.

In 1955 it was said that the cold war had ended. I would like to read you just one quote—two quotes—"It is an intense sense of relief which united President Eisenhower with President Bulganin. The cold war was suddenly called off at Geneva because both sides realized that their suspicions of each other were entirely unfounded." That was in an English paper. Life magazine said, "The chief result of the Geneva Conference is so simple and breathtaking that cynics and commentators still question it, and Americans find it a little difficult to grasp that championship of peace has changed hands; in the mind of the world which judges this unofficial title, it has passed from Moscow to Washington."

If we cannot give concrete content to peace, we will see again that the relaxation of tensions will be followed by the present equivalent of selling arms to Egypt which mathematically had to produce an explosion in the Middle East. I'm not asking for a continuation of the cold war; I am asking for responsibility in our negotiations. I'm asking for concrete programs that reflect our values and our understanding of peace, and if we cannot express that in concrete programs, no amount of general relaxation can do us any good. I also reject the idea that we have a choice between economic programs and military programs, between the development of new nations and the maintenance of free nations. No one has ever said that preventing the Communist take-over of Europe is by itself enough. We do have a task in giving our ideas of freedom and human dignity a positive content beyond the immediate problem of the Summit.

We Must be Dynamic and Creative

We should move towards creating an Atlantic Community of Nations, and we should create institutions designed to help the emergent nations with the same kind of boldness and with the same kind of dynamism that we showed many years ago in the Marshall Plan, but to do this we cannot delude ourselves; we musn't pretend that we are not in great peril in Europe today and that our present course isn't moving us towards a precipice. We have developed not only a code of specialization but a code of the gimmick. Too much of our domestic discussion gives the impression that if we could just discover the negotiating formula that has so far eluded us, the peace of the world would magically be maintained. Too often too many of our political leaders talk as if we were working towards some terminal date at which peace can be said to have broken out.

We have to accept the fact that we will live our lives in the midst of change, that we cannot patch up things here and there. Yes, we have to be dynamic. Yes, we have to be creative, but only the purposeful can be flexible. Only if we know what we stand for and what we are willing to defend will our assertions of values have any meaning at all. This has not been a very optimistic description. It represents the facts as I see them, and it represents my conviction that in the months ahead what will be tested much more than our skill in negotiation and our technical skill in devising weapons and programs will be not so much our ability to survive but our worthiness to survive.

The Chair will now recognize Walter Reuther for some comment on the subject before the conference.

(Applause.)

WALTER REUTHER

MR. WALTER REUTHER: Brother Chairman, fellow delegates:

I would like to make several observations about the Berlin and German situation.

Obviously, this is the most serious unresolved political question in the world. I would like to share with you an experience I had almost exactly a year ago, on May 1 of last year, when I had the privilege of addressing a huge freedom rally in the West side, free sector, of Berlin. More than 600,000 Berliners gathered to demonstrate their common dedication and their common determination to defend their common freedom in the face of the Soviet ultimatum. Had you shared that experience, you would have come away deeply impressed by the sense of moral obligation that the free world has in the crisis that is developing as we go to the Summit.

We need to assure the people of free Berlin that the free world stands with them in the hour when they need this support because what we do with respect to Berlin will determine whether or not we believe in a very fundamental principle: the right of self-determination.

Mr. Khrushchev was given too many platforms in America to propagandize the American people. On each occasion he peddled the line that the Soviet Union also accepts the principle of the right of the people to exercise self-determination. All over Asia and Africa hundreds of millions of people are on the march. They are engaged in the greatest revolution in the history of mankind, and the central theme of those revolutions is the right to determine for yourself the kind of society and the kind of tomorrow in which you and your children will live.

Well, you can't believe in that principle in Asia and in Africa and surrender that principle in Berlin, because that's the principle that is involved.

Why Not Self-Determination in Berlin?

Now, why is it that Mr. Khrushchev is not willing to test that principle in Berlin? Why isn't he willing to test that principle in terms of the unification of Germany by letting the people, through the mechanism of a democratic plebiscite sponsored by the United Nations, decide by the exercise of that principle of self-determination the future course of Berlin?

He can't say that it is because he's afraid with respect to the status that Germany will assume in the community of nations: there is and there can be no difference between the Soviet Union and the free world on working out the kind of guarantees that will assure that Germany will take her place within the framework of a peaceful community of nations. On that there is no difference. Everybody wants a Germany under circumstances, guarantees and conditions so that never again will Germany disturb the peace of the world. The German people want that as much as we want it and as much as the Soviet people want it. That is the point of difference. Mr. Khrushchev is unwilling to test the principle of self-determination because he knows what the people of Germany and the people of Berlin will do when they are given the free choice of whether they take their place as a part of the free world or whether they be lost behind the Iron Curtain that decides freedom from tyranny.

I went to Berlin the first day in February of 1933, the day the Reichstag burned because Mr. Goebbels and Mr. Goering burned it down as a part of the Nazi propaganda campaign to sweep German democracy aside. In the last election under the Weimar Republic, in a working class section of Berlin that I lived in, 80 per cent of the working class voted for the Communists. In the last free democratic election just recently held, the Communists got less than 3 per cent in that same section. The workers in Berlin know that in the hour of challenge, in the hour of decision, when the Weimar Republic was in balance, the Communist deputies in the Reichstag voted with the Fascists to destroy and betray the Weimar Republic. They know that Hitler and Stalin got together and made a pact that made possible the rape of Poland and the launching of the last World War; and the closer that the workers of any country are exposed to the irony of Communism, the more they reflect it by free choice of a demo-cratic ballot. That's why Mr. Khrushchev gives forth eloquently about the principle of self-determination. In Asia he's for the principle because they are people on the march against the status quo, against colonialism, against poverty and hunger; but in Berlin and in Germany where you have a sophisticated, highly alert political working class movement, he is unwilling to test our principle because he knows that his kind of system will be rejected almost unanimously.

Berlin Part of Whole German Problem

I think that we need to understand that there can be no solution to Berlin unrelated to a solution of the German problem. I think we need also to understand that there will be no German solution excepting as we find a broader solution to the total world problem of power contest. I think that our basic difficulty is that we go to the bargaining table in the international arena ill-prepared. We go there to talk about the Soviet Union's demands. We go there always in response to a crisis which they have created. It is just as though the steel workers went to the bargaining table last year and the only demands that were on the table were the demands to change the work rules and to cut the pay. That's what we do. We always go there within the context of the framework that they have determined and we always go there on the defensive.

We have sat at the bargaining table and the bargaining table is, essentially, the kind of situation you find at the diplomatic level in terms of negotiations. If you go to that table in which the people on the other side of the table decide the agenda, they have created the framework in which you are going to be restricted in your movements, and they, essentially, have raised the demands and you merely have to prove that you can't grant them. You are in trouble before the meeting starts. What we have to understand is that we are in trouble in the world not because our system of human freedom is incapable of meeting the challenge of Communist tyranny, but we are in trouble because we have lost the initiative and all we do is to react to what they do. What we have to do is to begin to get off the defensive and onto the offensive, not on the military frontbecause nothing can be solved there—but we have to get on the offensive on the economic and social front because this is the area where potentially the free world can create the kind of dynamic force in the world which will gain such powerful momentum that can begin to create a new political, economic and social environment in which we then can begin to press forward the demands of the free world; the Communists will be coming to the bargaining table to talk about our demands instead of our going to the table to talk about their demands. There is no other way to do it.

All the things that the General said today, all the things that you can say no matter how long or how extensively you pursue the areas of foreign policy, get down to a simple, inescapable and vital ingredient, and that's leadership. We have a country that believes that parades are adequate answers to basic problems. I'm not opposed to good will tours. I think that they are fine if you have a lot of leisure on your hands and you don't know what to do with your time. But let's not forget that when the parade is over in New Delhi and the little paper American flags which the school children have been waving on the parade grounds lie trampled and soiled in the gutters of New Delhi, the basic problems of hungry people, of desperate people, remain unsolved. And only as the free world begins to gear itself to share its food surpluses and its technology, to meet these basic and crying human problems, only then can we create the dynamics of a force great enough to shift the total climate of the world and give freedom a chance.

But this takes leadership. What do we have? We have government by clever public relations. When we need government by courageous public policy, what we have is government by slick slogans coined by the hucksters in Madison Avenue. What we need is a government based upon sound policies worked out on Pennsylvania Avenue in Washington, D. C.

This is where we are. America is in trouble, and when America is in trouble it makes trouble for the cause of human freedom.

You know, if little Luxemburg lacked adequate leadership it would be unfortunate but it would not be tragic because little Luxemburg is not going to tip the scale in the struggle between the forces of freedom and tyranny. But the United States is the only country in the world that has the material resources and the democratic heritage and the potential for creating a counterforce against the forces that the system of Communist tyranny are mobilizing against us in the world. When we fail, then the only potential counter-force ceases to come into being.

That's why this conference is so important. It is to try to get our own people to understand, and we in turn to try to get more Americans to understand that we have everything it takes to help solve the problem of Berlin and the problem of Germany, but that we cannot do that in the absence of the kind of affirmative, adequate, imaginative leadership that can issue a call to greatness in this crisis which is no less serious in terms of defense of freedom and the values that we cherish than was the crisis following the dark days of Pearl Harbor.

We have a job to do in this country. This conference was not called to talk about politics, but you cannot separate politics from foreign affairs because we can solve the problems on the world front only by going to work and solving the problems on the home front.

(Applause.)

CHAIRMAN HARRISON: Thank you very much, Brother Reuther.

MR. McDOWELL (Upholsterers): Mr. Kissinger, might I ask essentially if what we are saying about the Berlin situation is that if every right which we have explicitly or implicitly at the present time were a result of the Summit to be incorporated in the unilateral agreement with the Soviet Union we would still have lost the game? In other words, if I came into a plant and saw a certain system, it's there and as to the contract I accept it, but the employer says, "Put in the agreement that the system is here" and we both have our names on it. Is there an entirely different status when it gets into that agreement? Are you saying that we can get everything we should have in the present time and if it goes into the agreement subject to a unilateral cancellation, we have still lost the game? Is that correct?

MR. KISSINGER: Whatever we have now we already have in an agreement. I don't see any sense in making another agreement incorporating the same rights when the Soviets have broken the last agreement having those rights.

What I object to is the proposals that have been made, the offer of an interim status where we don't even have the rights we have now for perpetuity as they exist now but where they are limited in time and where, at the end of that period, we will then have nothing. The Soviets don't even have to cancel it. They can let the agreement lapse and we will then have to see what we can get after the agreement has lapsed. This is my basic objection, though I also agree with your formulation of it.

I would like to make a comment about Mr. Reuther's remarks. I only want to say that I wish I had made them.

(Applause.)

CHAIRMAN HARRISON: Are there any further comments?
(No response.)

CHAIRMAN HARRISON: Very well. We will now recess the conference until 2 o'clock in the afternoon. Thank you very much for your attention and your attendance this morning. We will convene at 2 p.m. I urge you all to return so that we can get the conference underway at exactly 2.

Brother Escape a principal business manages of Local 664, the

(At 12:10 p.m. the morning session was sourned.)

vital ingredient, and that's leadership. We have a country that believes that parades are adequate answers to basic problems. I'm not opposed to good will tours. I think that they are fine if you have a lot of leisure on your hands and you don't know what to do with your time. But let's not forget that when the parade is over in New Delhi and the little paper American flags which the school children have been waving on the parade grounds lie trampled and soiled in the gutters of New Delhi, the basic problems of hungry people, of desperate people, remain unsolved. And only as the free world begins to gear itself to share its food surpluses and its technology, to meet these basic and crying human problems, only then can we create the dynamics of a force great enough to shift the total climate of the world and give freedom a chance.

But this takes leadership. What do we have? We have government by clever public relations. When we need government by courageous public policy, what we have is government by slick slogans coined by the hucksters in Madison Avenue. What we need is a government based upon sound policies worked out on Pennsylvania Avenue in Washington, D. C.

This is where we are. America is in trouble, and when America is in trouble it makes trouble for the cause of human freedom.

You know, if little Luxemburg lacked adequate leadership it would be unfortunate but it would not be tragic because little Luxemburg is not going to tip the scale in the struggle between the forces of freedom and tyranny. But the United States is the only country in the world that has the material resources and the democratic heritage and the potential for creating a counterforce against the forces that the system of Communist tyranny are mobilizing against us in the world. When we fail, then the only potential counter-force ceases to come into being.

That's why this conference is so important. It is to try to get our own people to understand, and we in turn to try to get more Americans to understand that we have everything it takes to help solve the problem of Berlin and the problem of Germany, but that we cannot do that in the absence of the kind of affirmative, adequate, imaginative leadership that can issue a call to greatness in this crisis which is no less serious in terms of defense of freedom and the values that we cherish than was the crisis following the dark days of Pearl Harbor.

We have a job to do in this country. This conference was not called to talk about politics, but you cannot separate politics from foreign affairs because we can solve the problems on the world front only by going to work and solving the problems on the home front.

(Applause.)

CHAIRMAN HARRISON: Thank you very much, Brother Reuther.

MR. McDOWELL (Upholsterers): Mr. Kissinger, might I ask essentially if what we are saying about the Berlin situation is that if every right which we have explicitly or implicitly at the present time were a result of the Summit to be incorporated in the unilateral agreement with the Soviet Union we would still have lost the game? In other words, if I came into a plant and saw a certain system, it's there and as to the contract I accept it, but the employer says, "Put in the agreement that the system is here" and we both have our names on it. Is there an entirely different status when it gets into that agreement? Are you saying that we can get everything we should have in the present time and if it goes into the agreement subject to a unilateral cancellation, we have still lost the game? Is that correct?

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(At 12:10 p.m. the morning session was adjourned.)

PROCEEDINGS

SECOND DAY—AFTERNOON SESSION

Wednesday, April 20, 1960

CHAIRMAN HARRISON: Before resuming the presentation of the subject on the agenda today, I would like to acquaint the members of our conference with a recently adopted measure by the New York City Central Body for the purpose of advancing interest in international affairs and to develop people within the local labor movement with tools of information and understanding that might be useful to apply when they get back home among their fellow members. Recently the New York City Labor Council voted to provide distinguished service awards to four members of the New York City local union as a recognition for their outstanding work in the local labor movement. These awards were made to four local union officials and they carry with them not only the recognition for their valuable services to the local labor movement, but trips, at the expense of the local unions, to many parts of the world.

I have on the platform this afternoon the four local union officials who received this recognition and were given the awards and who will make the trips. I would like, therefore, to introduce to you these local union officials who have been recognized for their valuable contribution to the local labor movement in this great city. I am happy to present Michael DeCicco who won one of the awards.

(Applause.)

One of the other winners was Brother Michael Samson. He is business manager of Local 102 of the Utility Workers of America.

(Applause.)

Brother Hyman Shapiro, business manager of Local 664, the International Brotherhood of Electrical Workers.

(Applause.)

Last is Brother Thomas G. Young, secretary of Local 33B of the Building Service Employees.

(Applause.)

I should have told you that Michael DeCicco is manager of Local 76B of the Furniture Workers of America. I'm sorry that I omitted that.

Now one more thing: I would like to reiterate and repeat that these brothers are going at the expense of their local unions. This splendid example of substantial cooperation in a material way by our local unions in this great city might very well be copied in other great cities throughout the United States. There seems to be a widespread and urgent need on the part of more people in the labor movement to understand some of these world problems, because the world of today and the world of tomorrow is going to be a world of survival; they had better begin to find out how that can be accomplished.

Congratulations to our New York Central Labor Body for this progressive and pioneering contribution to the welfare of the labor movement in this country.

Now we return to the formal program of the conference and take up the final subject listed for the conference. It is not the last, because we felt it was the least important. As a matter of fact, it is the objective that we sought when we arranged to convene this conference. It is known as "The Essentials of an Effective Foreign Policy for the United States."

We have with us this afternoon to formally present this subject to our conference Mr. William Chapman Foster, who has had a distinguished career in Government service as Under Secretary of Commerce and as an administrator of the Marshall Plan and as Deputy Secretary of Defense. He has been honored by many awards and decorations by our great Government on behalf of our people.

It is a great pleasure to have with us this afternoon Mr. Foster. I am happy to present him to the conference.

(Applause.)

WILLIAM CHAPMAN FOSTER

"The Essentials of an Effective Foreign Policy for the United States"

MR. FOSTER: Vice President Harrison, President Meany, ladies and gentlemen:

I approach this subject with some hesitancy because, when George Meany called me and asked me whether I would make a speech on the essentials of an effective foreign policy for the United States, it was my belief that this should be done by the Secretary of State of the United States. I am pleased to see that this evening the Under Secretary of State of the United States is also going to talk about foreign policy. I presume there may be some differences in the two approaches.

(Laughter.)

I won't say I hope so, but I will say that I expect so.

It used to be said, with some accuracy, that America's foreign policy was simply an external manifestation of internal politics. Thus, it made sense, and votes, for James Curley in Boston to have as the principal plank in his "foreign policy" the clarion statement: "All Ireland must be free." And we are currently reminded in the Broadway musical "Fiorello" that a New York congressional election once turned on the cry, "Trieste is an Italian city."

One looks back on those days with a certain nostalgia, because of what I would characterize as the overwhelming complexity of things today. Yet I am tempted to believe that we are facing the consequences in fresh and magnified form, though I hope not climactic form, of a number of ideas which were very simple when first stated. I wonder if we fully realize how much of the body of our foreign policy really derives from the history of those simple ideas.

Let me develop briefly what I have in mind. From what stems our nation and all that it stands for? Basic, I think, was the affirmation of the Israelites that there is one God. Later came the Christian concept of the nature of that God: compassion, love, justice, freedom of the individual conscience. With this was combined the Grecian quest for truth and beauty, the Roman talent for law and order, and all the other contributions of men and nations which result in our present Western Civilization.

Our North American contributions to this civilization have been many, but three stand out. First, was our declaration of political freedom. Second, was our demonstration of a whole new concept of an industrial economy of abundance in mass production and mass marketing. I would not take the time to detail the stimulation of productivity, the fairer sharing of the fruits of productivity—for organized labor has played, as you so well know, a key role in all of this. Thirdly, we are presently leading in an agricultural revolution, a revolution of technology, which, for the first time in human history, promises that all men in the world may live above the spectre of hunger. Evaluate these contributions, past and present, as you will, and they pro-

vide the fundamentals of the policies for which we of the West have time without number shown that we will stand, and if need be die.

It is a useful thing for us of the West to consider that we are not a majority. Of the earth's twenty-five hundreds of millions of people, perhaps only five hundred millions share this evolution to which I refer. The greater number are of different religious belief or have no God. Their paths toward the freedoms we cherish have sometimes been parallel to ours, but more often they have diversed. It is true that as human beings we share certain universal characteristics and aspirations, yet we differ in ways that most of us in the West cannot comprehend. But we are the minority. The United States by circumstance of power, and by consent, is leader of the West. This is a comparatively new position for us and probably 19 years old, if you date it from Pearl Harbor. This is probably the most acceptable date; for although we had the power and the potential before that, we did not truly draw on it until we were bombed into World War II.

For a time after the war we were uneasy about our foreign responsibilities, but Korea forced us into another mobilization and without freedom of choice we have had no thought since of a hermit status. So it is for the first time in our national history that we have maintained our power in ready fact during what passes for a time of peace. It has only been in the past three years, that Russian technology in space and nuclear energy has caused us furiously to think that our power and position are open to serious challenge. Today we face that challenge in the thermonuclear and hypersonic fact. And that is one valid reason why we must have a foreign policy that defines where we stand and where we tend.

Another reason, equally valid, that we must re-think and define our national attitude stems from confusion in our land. Some may say that confusion is quite normal in an election year, and probably it is. But that is only, in my opinion, a fragment of the reason, since most of us know that we must have continuing flow in our foreign policy regardless of elections. I think the confusion lies mostly in resolving the division and direction of our total national energies and resources.

Let me explain: Modern war has many phases, of which shooting is only one. If we are enjoying, as I said a moment ago, what "passes" for peace, we are simultaneously engaged in a "war of sorts." To meet this we are mobilizing certain of our manpower and our resources in a major arms effort. This takes a sizeable part of our total resources. We are also quite eager, being human, to carry on life at as happy and prosperous a level as possible. This also absorbs a good part of our national re-

sources, and we continually face the demand to devote more resources to such needs as education, achievement in science, a stronger Government, and so on.

Each of these pressures, or demands, have their spokesmen. We are advised on the one hand that our defense effort is sufficient, and we are exhorted on the other hand to do twice as much. We are belabored in behalf of more Government effort across a range of social and educational undertakings, and we are warned on the other hand about permitting the Government to increase its share of our income and of our daily lives. I will speak to some of these points in a moment, but here I only want to illustrate for you some of the things I believe are contributing to a sense of confusion in our nation, and which require some thinking about in order to more firmly posture our foreign policy.

Essentials of Our Foreign Policy

What, then, are the essentials of our foreign policy?

I have sorted out what I believe are the irreducible essentials, and they number seven. They can be stated in any number of ways, of course, and in any order, but I state them and list them this way:

- 1. We stand for the concepts of freedom which are inherent in us because we are the product of Western Civilization. Any effort to attack or subvert it runs against our policy and invites resistance.
- 2. We support honest international agreements to harmonize differences without resort to force. This is in part because we recognize that we are in the minority and that all men do not think as we do or share our values. We also support the United Nations. We were a prime mover in the establishment of NATO as an alliance for defense against aggression in the West. We have shown responsiveness in the discussions about enlarging the Organization for Economic Cooperation by extending its base to include the broad North Atlantic area. This is good, and Secretary Dillon is to be congratulated for his part in it.

We are happy, too, in the role we play in the Organization of American States.

We favor the rule of law. We will work tirelessly within proper agencies and outside of them, if necessary, to achieve and maintain a durable peace under law.

3. We want not one inch of other lands. We want no colonies. We deplore unilateral intervention by ourselves or anyone else. We want no markets except those we win by free, honest competition to serve the best interest of the buyer.

- 4. We favor and seek justice and personal, political, economic and social freedom for men everywhere, including those who may lack it still within our national boundaries.
- 5. We share, indeed we truly lead, in the world's yearning for disarmament. We will work unceasingly and in good faith toward honest progress for limitation, reduction and control of armaments.

I have listed this as point five only because I feel that disarmament needs to be set in its constellation of related policies. It is a policy that hardly stands alone. It is a desirable policy, but it is a conditional policy.

As some of you may know, I have worked very specifically in this field. For a number of weeks I sat across the table from a Communist delegation of Russian and satellite experts at Geneva, seeking some means to reduce the danger of surprise attack. I worked on a committee set up by the White House to consider, among other things, civilian defense, and this naturally led to consideration of our total defense posture. So possibly I can usefully develop my thoughts on this fifth point against a background of some specialized knowledge and experience.

While one can hopefully anticipate total disarmament for the millennium, no one should feel that under present conditions, or under the incomplete plans so far presented, that it would be safe to accept any such present dream as the reality. However, limitation, reduction and control of armaments is so vital to the world's future that we should devote ourselves towards finding ways in which we can progressively apply them while, at the same time, in no degree reducing our relative security position.

On Reduction of Armaments

There is no real alternative to reduction of armaments if the world is to progress. Perhaps it is possible to maintain an uneasy peace if we and our potential enemies continue to increase the investment in armaments and the devotion of resources to the development of weapons. But, with the increasing drain which this would impose on productive energies, the burden, in the course of a few years, could become intolerable. One or other of the possible combattants might become impatient with the situation or fearful or being struck and might mount a surprise attack with the hope of destroying his potential enemy. This would result in the wiping out of millions of people and perhaps even the destruction of the earth as we know it.

Another alternative to adequate control, an alternative, unfortunately, supported by less sophisticated people and pushed aggressively by the Soviet Union, is for us to disarm simultaneously with the U.S.S.R., accepting their promise to disarm at

face value. This, of course, is not sense. The past record of the Soviet Union gives little assurance that they would carry out their commitment. We might then be an easy victim of subsequent demands or we could be easily defeated by them.

However, if the Soviet Union will agree to accept effective inspection and control measures, great human and material resources could become available for better purposes. It is probably unavoidable, at least at first, that progress towards reduction or limitation of armaments will show that the inspection and control mechanisms soak up most of the savings from a reduced quantity of arms. However, these savings when ultimately achieved could be devoted to improving conditions for all mankind. In many areas reliable means of inspection and control, however, require more research and development by our scientists and engineers than is presently available. However, the West's recent disarmament proposals at Geneva, presented by our Ambassador Frederick M. Eaton, have been worked out by able and dedicated men. They deserve consideration and acceptance by the Communist block. However, the proposals of the West, even if fully accepted, would only give a start. Ultimate broad disarmament, with the accompanying release of energies, will require much more thought, work and a willingness on the part of all nations concerned to give up some of their national sovereignty in this field, and this is a very hard political decision to reach.

The basis of the West's present suggestions is simply to establish an international organization which will oversee and audit adherence to any agreements on progressive steps toward limitation of men under arms and establish a surprise attack warning system. Then, assuming that the early steps have been taken, the plan is to move toward the much more difficult problems of limitation of new nuclear production, the destruction of warheads as such, and the ultimate utilization of the materials released for constructive purposes. Plans would include joint observation of any missile launching to avoid war by accident. There would also be agreement of a similar kind for space satellite firings. Satellites by agreement would be barred from carrying weapons of mass destruction. Pending this broader agreement, there is real hope of a more limited agreement in the field of nuclear tests as recently proposed by the West at Geneva.

Aid to People in Less-Developed Lands

6. We favor and actively lead in assisting people in less-developed lands to improve their conditions. In stating this item of foreign policy, I do not wish to underplay the part that is played by our humanitarian impulse. So as not to minimize our deep and true and firm desires to help those who wish to help themselves, I simply reaffirm a guiding principle of our Western

Civilization. If some few of our past efforts may have been misguided, there is no gainsaying that our motives have been correct, and this fact is known and recognized throughout the world and is, I believe, a source of much of the good will which exists for us on the part of most of the peoples of the earth.

However, our foreign policy must first basically serve our own interests, and it is abundantly clear that, with what is so aptly called the "revolution of rising expectations" accelerating in so many places of the globe, we can have stability only as we work with the revolution. In a very real sense, we started it. Our own breaking out of colonial status, our own contributions in mass production and mass consumption, and presently our own revolution in agricultural technology, have lighted the spark of hope for millions around the world. As I see it, we can best, at Government level, help those people effectively by helping them with what the French have a word for, "infrastructure," which is to say help them with roads and harbors, sources of electric power and other large scale capital requirements not otherwise available to them. From such a base they can then, with their own capital, plus private investment from the West, start to build their own per capita wealth, which is to create jobs and produce the goods for better living.

At present, lacking adequate assistance, the total income per capita per year of many of these people is less than the amount which our own per capita income is increasing per year. Let me underline that, for it may be hard to quickly comprehend the measuring. The total per capita income per year of many of these people is less than the rate at which our per capita income is increasing. The gap between our standard of living and theirs is thus increasing so rapidly that it cannot be other than a source of envy and discontent. I repeat: The gap between our standard of living and theirs is thus increasing so rapidly that it cannot be other than a source of envy and discontent. provides a fertile field for subversion and intrusion by alien philosophies. The situation applies not only to the Far East and Southeast Asia but dramatically indeed in Africa and to an increasing degree in Latin America. The latest and nearest evidence is in Cuba.

We must, as I see it, increase in amount our resources devoted to economic assistance to less-developed countries, who can and will use it well, and encourage other industrialized countries to do the same. This requires money, which all evidence today, however, indicates will produce an astronomically high return on investment. Present returns are intangibles, to be sure, such as greater stability; but ultimately, as these countries develop, there will be sharply increased trade in which we will share. Such efforts require more than money. They require broad

human resources, which leads me to a discussion of the problem of personnel.

Able Personnel a Basic Need

There are often dedicated political leaders at the top of Government, but with few supporters of kindred talents and dedication among what we would call our "bureaucrats." our career civil servants. The United States and many of the nations of the Atlantic Community, and a few well-established countries have such loval and competent support for top leaders. Where it does not exist, it is difficult if not impossible to carry out the policies and decisions of the leaders, no matter how sound. So one of our most important contributions in effective aid is to have our representatives join with the host government in this task of training. Thus, very central to our problem of effective aid, perhaps the chief obstacle, in my opinion, lies in personnel. The ability to attract some of our wisest and most experienced people to service in Government is essential. This can best be achieved through direct and energetic action by the President of the United States in making clear the importance of public service, by enhancing the prestige of those who accept it, and by his leadership and inspiration of top ministers of our Government to spread this spirit throughout the United States. This campaign of public education, too, could help influence Congress to be more sympathetic in terms of support, compensation and allowances for our representatives in the Foregin Service and otherwise. Such improvement will minimize the need of calling only those with wealth to represent us in the highest overseas posts.

For instance, it was my privilege to head the United States delegation of standard size to an international conference. Many of my colleagues were drafted from outside pursuits, universities, science laboratories, and otherwise, to go on this mission. We were to meet with the representatives of nine other nations, four on our side and five against. Naturally, progress could be encouraged by some informal intermingling as well as during business sessions. Under the State Department's budget, we were allowed about \$2 per week per senior person for this extracurricular activity. To do the job these funds had to be augmented by private sources.

Incidentally, the five countries on the opposite side apparently had plenty of funds to buy food and drink for the Westerners and they used them generously. Adequate compensation and allowances are sorely needed to help our ablest people in representing the United States' interests around the world.

While we presently have able, dedicated people, both among those of independent means and from the career service who

have been able to accept some of these higher posts, the number is completely inadequate compared to the number of opportunities to serve. All elements of our economy can be helpful in this connection. For instance, there are many people in the ranks of labor with their understanding of people, with their sympathy for human needs and with their broad political sense who could be outstanding representatives for present efforts abroad. I speak of this from firsthand knowledge because, during Marshall Plan days, through cooperation of the leadership of our great unions, the Marshall Plan was able to have among its top officials many men from labor. They held positions at reponsible levels from advisor to mission chief. Their service was in all cases useful and in many cases distinguished. As a businessman, I am also keenly aware of the broad reservoir of ability, interest and experience among corporation executives. In the Marshall Plan, we had the benefit of the service of many from this source, too. We had, as well, distinguished lawyers, teachers, bankers, and engineers, so that it is clear that the United States has the raw material if it can be attracted and held for appropriate periods to meet the need.

In our foreign affairs perhaps to a greater degree than in any other department, we need more outstanding people and more experience, and the requirements increase in geometric ratio each year. Associated with the requirements for more people—which requirement may possibly be on the way to being helped by pending bills to have a top special personnel assistant to the President in the White House—is the requirement of reorganization of our internal affairs activities.

For instance, one recent thoughtful report by the Brookings Institution recommended that we establish a Senior Secretary of Foreign Affairs, who would be the President's chief deputy in this field and relieve him of some of the burdens. Under the Secretary of Foreign Affairs would be three subsidiary departments, namely, State, Foreign Economic Affairs and Information and Cultural Affairs, each of which would be headed by a Secretary having Cabinet status.

While I see difficulties in adding Cabinet departments, none-theless the Brookings' sugestion is worthy of study, and I believe the Committee on Foreign Relations of the Senate is so doing. It is surely clear that the present system, with many functions fragmentized in a number of semi-autonomous groups and, for instance, where major functions such as those of ICA are placed under subordinate bureaus of the State Department, is not good business. It is obviously making it more and more difficult to attract outstanding people. I do not intend to reflect on the great service and capabilities of many present Government people. It is the method I criticize, not the people.

Reorganization and how we do it is important. Much more important, however, is that we do it and that we develop strong national support for economic assistance to less-developed nations. I have already pointed out the widening gap between United States per capita income and those in less-developed nations. Were the Soviet Union to attempt to invade one of these countries by force, we would instantly recognize the threat to our own freedom. We would willingly and quickly accept large responsibilities and expenditures. Extremes of poverty and ignorance of sound methods of progress just as readily invite the growth of Communism in many of these countries. This can occur without the use of force, but the ultimate threat is the same. We should therefore be forehanded partners in helping these countries to improve their lot by their own efforts, but with supplementary help from us to make those efforts more effective. It is clearly in our own interest.

Mutual Aid Must Continue

7. We must continue military assistance to those allied with us. To repeat, the Western world is a minority but it has friends, some drawn by friendship and past relationships and some drawn by fear of the Red cloud, but all contributing to a related and united strength. So much has been said on this point by the President and by his colleagues in the Administration and by various investigating committees in and out of Congress, and by our evident experience in such places as Korea and Formosa, that it hardly seems necessary for me to pound on it here. The unhappy fact is that until we can make progress toward disarmament, we must continue military aid and military alliances.

Now, there are my seven essentials. They are just one man's list, and so let them stand. But in bringing these remarks to a close, I wish to make crystal-clear what I believe is fundamental for our country in this field of foreign policy. It is to achieve a state of mind in which we recognize that the United States must continue to share its efforts and its substance in its own interest to earn and keep the leadership of the free industrialized nations and also of the uncommitted, less-developed nations. This should also help to keep the spark of hope alive in those countries which have already fallen under the Communist curtain. There is no other currently capable or acceptable nation for this role from the viewpoint of our concept of freedom and security. In achieving such a state of mind, we need a sense of urgency which apparently exists presently in the minds of but a few, a sense of urgency which will impel us to do more in science, in technology, in education, in productivity and in economic growth. You men and women, you leaders of organized labor, have, I believe, a responsibility to paint this picture clear to your millions of associates and you have, perhaps, a unique opportunity to do

something special in the fields of productivity and economic growth. Equal responsibility and opportunity, to be sure, exists in other quarters.

I would fail my own conscience if I did not give you some estimate of how we are doing in our foreign policy. Let me say this: Our military strength may seem like a domestic policy, but in today's world, with our position of leadership, it is the big stick without which we cannot speak, even softly. For us to permit ourselves to become a second-rate power, to measure survival of Western Civilization in terms of dollars, or the value of survival against the aesthetics of tail fins is disgraceful and a betrayal of the hopes and aspirations and prayers of millions who sacrificed all, that we might today even have our present choice. If I sound vehement on this point, I mean to.

Secondly, to shirk, minimize and meanly handle our foreign aid, to focus on the mistakes and not on the accomplishments and opportunities, is disgustingly short-sighted. To call this effort a "give away" is, as President Eisenhower so aptly said, to shoot down our best hope for a peaceful progressive world with a slogan. If this nation and this people have the sheerest glimmer of the utility and prospect of what our foreign aid opens to us, we may gain a wise and useful perspective on the world ahead. I am forced, sadly, to comment that the vision today seems weak and almost on the verge of being ineffective.

But the hopeful thing is that you men in this room and thousands like you, men of energy and responsibility, men of this century, can exercise leadership and can bring understanding to our people, tear the veil of complacency and apathy and ignorance from the minds of America, and let us act.

When we Americans have a clear picture of what we must do, we do it. All of us, each in his own way, can help clarify this picture. We have the resources; I pray we have the will.

Thank you very much.

(Applause.)

CHAIRMAN HARRISON: Mr. Foster, I know you took time out of a very busy life to come here and present your views to our conference, and I want you to know that the AFL-CIO and our conferees appreciate the sacrifice you made and to congratulate you on the splendid contribution you have made to our conference. You have given us guideposts that we might very well think about in developing our ideas about what a successful foreign policy might be. Your remarks will be made a part of our record and, in due time, they will be distributed of course to the conferees here in attendance.

Thank you very much for coming to our conference.

(Applause.)

Now we will resume the customary procedure and time is available for comment and questions, pursuant to the rules of the initial session of the conference.

Are there any questions? Are there any comments?

(No response.)

CHAIRMAN HARRISON: Since there is no response, I now present President Meany.

PRESIDENT MEANY: I want to make one comment on Mr. Foster's address.

The overall picture that he gave of our foreign policy and what he thinks our foreign policy should be speaks for itself. I don't want to comment on that portion of it. However, I do want to comment on one item that he brought out and that is that our representatives, representing the American people in the various countries of the world, must, of necessity, be men of great wealth or career diplomats who have access, in some way, to sufficient money to maintain their proper post as a representative of this great country. I think this is completely wrong.

Able Men Should Be Able to Serve

The United States of America is a country of many millions of people, all sorts of people. It is my considered opinion—and it has been for many years—that the Congress of the United States should take a look at this question of representation and provide the wherewithal by which men of proven ability, men who know the American people, men who think in terms of the tradition of the United States of America as a liberal nation, as a nation with a tradition of human freedom—that these men be enabled to represent the United States of America on the basis of their knowledge, their background, and their ability; not on the basis of how much money they have and how much they happen to put into a certain political campaign.

(Applause.)

I think it is high time that Congress looked this problem in the face. More and more we see representatives from all parts of the world, from the newer nations and also from the older nations, representatives who come from the people, who really represent the people.

I'm not trying to bar business people or people who happen to have great wealth. This is all part of the American scene, but what I am protesting against is a system which bars from positions of representation, representing our Government with the

other nations of the world, all of those who make up the citizenry of this great country with the exception of those who happen to possess the wealth by which they can become a representative and use their own money, if you please, to present the picture of the United States of America to the people of the country in which they happen to be assigned.

I think it is high time that we recognized, as have practically all the other nations of the world, that ambassadors should come from every walk of life. They should come from all of the people, all segments of society, and there should not be a financial bar or a financial preferential class, if you please, of representatives of this country.

It is entirely out of keeping with our tradition and our background. This is a nation of little people as well as big people, and, I think, that it is well that Mr. Foster brought this matter to our attention, because I have thought of it and I am quite sure many of you have in the past.

Representation in the foreign embassies of the United States of America should not be confined to the people in the higher financial brackets. It should be open to all of the people in the United States.

(Applause.)

CHAIRMAN HARRISON: Thank you, President Meany.

The Chair now wishes to call on Mr. Brutus Coste, who is here representing many groups of people and many unfortunate individuals who have been deprived of their lives and their freedom by Communist Russia.

I want to call on Mr. Coste for a few remarks. Mr. Coste is the Secretary-General of the Assembly of Captive European Nations.

BRUTUS COSTE

MR. COSTE: Mr. Chairman, Mr. Meany, and ladies and gentlemen:

I would like to thank you, first of all, for this exceptional privilege which you have given me to say a few words and I would like to say these few words on a subject which was hardly mentioned during these two days, although I believe that it is most relevant to the problems which you have been discussing—the problem of the defense of freedom, the problem of survival of freedom.

I would like to begin by saying that as long as Western Europe, in the survival of which there can be no doubt, this great country has a vital stake, as long as the defense of Western Europe was

amply provided for because of the overwhelming deterrent effect of the American power of retaliation, the problem of the captive nations could easily appear as a mere moral issue. This of course, in the context of a purely defensive policy; it would not have been so in the context of an offensive policy. But the effectiveness of the American power retaliation as the mainstay of Western European defense is becoming a questionable factor as the power of the Soviet Union increases. Therefore, as we have heard from the distinguished speakers this morning, the problem of the security of Western Europe will increasingly have to be considered in terms of defense at a lesser cost than all-out nuclear war. And here, I submit, the issue of the captive nations becomes material and even vital for the free world. Because as you will try to place the defense of Western Europe on a substantially self-supporting basis, you will have to think of the deterrence which the resistance of the peoples of Eastern Europe will represent.

However great an effort Western Europe will accept in the military realm, it will never be able to match the Soviet Union in divisions. A balancing factor has somehow to be found and we believe that that balancing factor is in the resistance of the peoples of Eastern Europe in their refusal to submit; in their refusal to accept as final their subjection to a foreign-imposed dictatorship. The point is that this resistance cannot be taken for granted. We deal with people and the image the people behind the Iron Curtain have at present of the West is not flattering. The image they have is that of a vaccilating, yielding, losing West. They see the issue of the freedom of these nations forgotten, shoved under the carpet. We believe that at a very small price which does not imply expenditure of treasure, which does not imply military action, the Eastern European deterrent can be preserved and even strengthened. That price is: keeping the issue alive, not by occasional statements, but by raising it at the meetings of heads of governments, summit meetings, international conferences, the United Nations. If this is done and adequate local forces are built up, the problem of Western European defense in the coming years becomes manageable.

I should like to give another reason why the issue should not be permitted to die and to be forgotten, a moral reason. The moral reason is that as long as the Western world does not stand clearly on the principle of self-determination, the emancipation of the former colonial lands will not be credited to the West and to its respect for the principle of self-determination but will be regarded as the consequence of a Soviet struggle for "liberation"; as a consequence of the powerlessness and weakness of the free world. I believe that the essential thing today is to project to the world not the image of a good but losing West, but the image of a righteous West—purposeful, powerful and winning. In championing the principle of self-determination on a global

scale, the West would take a great step towards projecting to the world this image.

The third reason for which, I believe, the issue of Eastern Europe, of the captive 100 million captive people, should be kept alive on every occasion is that Mr. Khrushchev has made it perfectly clear that coexistence does not mean for him the cessation of political struggle. And his words are being matched by actions all over the world day in, day out. If the free world permits Khrushchev and the Soviet Union to be active all over the world, all the time, while refraining from any action or even any active interest in regard to the Soviet-controlled regions where the peoples are almost unanimously on the side of the West, there is no chance for the West to win. No one expects an early solution of the problem of Eastern Europe. This is, however, no reason to forget that the issue exists. When unable to solve an international problem on acceptable terms, one is always much better off in leaving the issue open than in solving it on the terms of the enemy. Time may bring opportunities that are not even suspected today. But in order for time to be on its side, the West must be strong. It must stand on its principles. It can certainly not afford the luxury of alienating its friends. millions of friends, whose will to regain freedom will represent in the coming years an added deterrent to a Soviet forward thrust and thus an essential element of Western security.

I would like to finish by saying that the peoples in Eastern Europe have a tremendous respect and gratitude for the AFL-CIO and its great President, Mr. George Meany, who have never missed an occasion to support their righteous cause in which the West has a vital stake. I would like to hope that this conference and the leaders of the AFL-CIO will continue to give their backing to our cause and particularly will support the initiative taken in Congress by Senator Douglas and by Congressman Zablocki in introducing a resolution which urges the President of the United States to raise at the coming Summit Meeting the issue of the restoration of fundamental freedoms and human rights in Eastern Europe.

Thank you.

(Applause.)

CHAIRMAN HARRISON: Mr. Coste, I thank you very much for bringing your particular and special problem to the attention of our conference. Of course, it is basic to the whole objective of the conference to learn how we can, as trade-union officials and trade-union members, make a more substantial and effective contribution to the preservation of freedom and the return of freedom to those unfortunate nations and peoples who have lost their national independence and freedom because of the brutal onslaught of the Communist regime of Russia.

You are in the house of your friends. Our policy statements in respect to your problem are clear and definite and we will continue the struggle along with you to be of assistance in regaining your national independence and your freedom.

At the same time, I should like to suggest that there comes a time when these things can be accomplished, but if we get too far out too quickly, we invite the destruction of the spirit that ultimately is cultivated and propagated to the extent that is essential to attaining the objective.

Are there any other further remarks?

Before summing up the conference, I would like to make one brief announcement, and that is that we will have a dinner in this room here tonight for all the conferees and our invited guests. The dinner is scheduled to commence promptly at 7 o'clock. If you expect to get an equal start in the race, be here so that you can start at 7. My suggestion is that you all get here as promptly as you can after 6:30. We want to get the dinner out of the way and then hear the speaker of the evening, who is the Honorable Mr. Dillon, the Under Secretary of State. The dinner will be under the chairmanship of Vice President Walter Reuther. I shall present him to the guests tonight, and then we will present our guest speaker.

I said at the outset when the conference opened that we were meeting here for the purpose of taking counsel with each other, to get information about world problems and to develop a better understanding so we could make our contribution.

I also said that the policy of the AFL-CIO organization could be found in the materials that were in the packets that were distributed to the conferees as they registered and as they were found on your tables when you came into the conference.

This was not a constitutional convention for making policy of the AFL-CIO. It was a conference of representative leaders of our affiliated unions for the purpose of bringing to them the views of outstanding leaders in the field of world affairs.

How well we have succeeded in doing that job, of course, you will determine.

I think the conference has been of tremendous value.

President Meany, in his speech to the conference, gave you the policies of the AFL-CIO, and beyond that, the views expressed in this conference by our speakers were their own views.

As I told you at the outset, they were for you to consider and analyze, evaluate, and make your own determinations as to what may be useful in your thinking to prepare yourself to make a

contribution to this work we are trying to do through the AFL-CIO.

Now this conference, as I said, I hope has helped in clarifying the pressing problems before us. There were presented to us instructive and well-documented reports by distinguished leaders in the field of international affairs. Their views undoubtedly will help to provide us with valuable information and put some of the burning issues before us in perspective and to help us in our work.

In my capacity as Chairman of the conference, I only attempt to bring the material to you.

Now, before concluding the conference, I thought perhaps it might be helpful if I undertook a brief summary of what has been presented to the conference.

Most of the speakers, I think, as you have noticed, presented the problems on a two-fold approach. One was an area approach and the other was a problem approach. Actually, this way of looking at the world picture helps us put the issues of the day in proper focus. In some areas certain problems are more acute than others. We can see most of them clearly as a result of the information which we got during the conference.

There are, of course, problems overriding these particular problems that we heard about during the past two days. They encompass our entire world civilization.

From what these speakers stressed, there are such problems as the Soviet threat to world peace and freedom. There is the great awakening of the world and their growing determination to put an end to poverty, illiteracy, hunger, disease and foreign oppression. Colonialism of every form in Africa, Europe, or elsewhere is on the way out.

From what Drs. Grigg, Tannenbaum and Rowe said to our conference, it seems clear that the peoples of the world, without regard to race, color or creed and without regard to country or continent, are awakening in this direction. They are more and more eager and determined to change their way of life. They insist that poverty, disease and hunger must come to an end as a way of life.

They have come to realize that mankind now has the industrial capacity and knowhow, the technical and scientific knowledge, to eliminate many of the perils of poverty, the crushing burden of ignorance and racial discrimination; the people are tired of the misery, the old way of life.

Nations throughout the world are coming to the realization that in this age of nuclear and outer space progress, they are

confronted with a very grave danger, as well as a really great opportunity. As we listened to the speakers, we could not but feel most keenly the great danger of war to all mankind. Today total nuclear war places before us not so much the issue of victory as the issue of our very survival. It is a painful paradox that the very instruments of human progress could become the means of mass destruction of all human life—particularly when an aggressive dictatorship possesses these means and it is not restrained by public opinion or the will of the people.

Yes, I think it is reasonable to suggest that many more countries in the world, in the not-too-distant future, will just by the normal processes discover the secrets of nuclear power and that this makes it all the more necessary and imperative that we find some way to harness and control this destructive weapon so it will not be used by irresponsibles in governments throughout the world to destroy man himself and his species.

Right here is where the Communist danger, the threat of Soviet imperialism, takes on a graver turn than ever before. President Meany pointed out that Soviet economic progress is harnessed primarily to the building of a military machine geared to aggression and to world domination. This threat of Soviet world domination forces all liberty-loving people to divert—in self-defense—so much of their resources to military projects and establishments. These resources could otherwise be utilized for eliminating poverty, hunger, and disease, and suspending economic and social progress.

In Latin America, Professor Tannenbaum pointed out that we are confronted by a rapid growth of population steeped in terrible poverty, widespread illiteracy, weighted down by military burdens. We have been correctly told that our Government must lose no time in dropping certain policies which give the impression that we are the supporters of reactionary forces, military cliques, and the privileged classes in many of these developing countries, where poverty, illness, and disease is a way of life. This never was the aim or the intention of the American people.

Our ideals and our traditions, our interests and our progress, were born out of the struggle for human liberty and well-being.

We are indebted to Professor Rowe for his comprehensive analysis of the situation in the Far East. He pointed out to us the fine results our Government has achieved through its economic help in attaining rural progress in Taiwan—Formosa. This could well serve as a model for our economic aid program, said Professor Rowe, in other parts of the world, not only in Asia.

General Medaris has certainly helped us comprehend the defense problems of our nation. He put the issue squarely before us in its proper light when he presented rational criteria for measuring the state of our defense in terms of real and potential dangers that threaten us. He raised the issue of defense from the bookkeeping level, from the accountant's table, and placed it in the most realistic fashion for assuring the survival of our nation and the progress of our democratic institutions and our free way of life.

We were indebted to Dr. Kissinger for presenting a most instructive and realistic statement of the immediate problem which was the very cause of the forthcoming Summit meeting being called—the Berlin crisis and Germany. The most striking and very latest confirmation of the aggressive intentions of the Khrushchev regime is the Soviet move against the freedom of Berlin. Dr. Kissinger made it very clear to us that in driving against Berlin, the Kremlin warlords do not mean to stop there. They do mean to take over Berlin as the next step in a Westward drive by Communist imperialism to take over all Europe and conquer the world.

We are thankful to Mr. Foster for his presentation of the essentials of a sound foreign policy for our country. The points he has stressed should help all of us to have a clearer understanding of the great responsibility which history has placed upon our nation: Today we have the primary responsibility for making the free world strong enough to deter and defeat aggression. Only our country can provide the leadership in bringing an end to all colonialism. Our country has the idealism and the economic strength for freeing the world from the perils of poverty, hunger and disease, and for maintaining world peace.

When Dr. Grigg dealt with the revolutionary developments of Africa and the Middle East, he pointed out the great awakening among their people, their burning desire for national independence, their determination to govern themselves—with all the mistakes that they might be privileged to make while they are determining their own destiny. Here the United Nations also faces the most urgent problem in implementing its decisions for bringing peace and prosperity to the Middle East and for putting an end to the savage acts of repression and violence by a privileged, narrow-minded white minority in South Africa against the overwhelming African population.

The various speakers dealing with different phases of the two great problems—the threat of Communist despotism and the rising revolt of the peoples against economic backwardness and poverty—sort of emerges into one overall and overwhelming conclusion for all of us. Humanity today has the power to end the social, economic and political evils of many centuries. These

evils can only be overcome through freedom. Once a dictatorship is established and consolidated, it degrades, oppresses, and exploits the people and it denies them the benefits of modern industrial technology, science and progress.

What I have said are more than words of warning or pious wishes. What I have said and what the speakers have left with this conference is something that all of us individually and collectively might well heed. We have a great responsibility at this critical hour confronting the human race. We of American Labor are fully aware of this tremendous responsibility.

In closing the conference, I want to remind our conferees of that message that immortal American Abraham Lincoln sent to Congress on December 1, 1862. I think it is well that it be repeated and that we never forget it, because it is most inspiring to us as Americans. It can well serve as a guide for all of us in this era of danger and great opportunities.

I quote those immortal words of the Great Emancipator:

"Fellow citizens: We cannot escape history. No personal significance or insignificance can spare one or another of us. The fiery trial through which we pass will light us on in honor or dishonor to the latest generation. The dogmas of the quiet past are inadequate for the stormy present. We must think anew. We must act anew."

Now, may I say to all of the conferees as a representative of the AFL-CIO, we very much appreciate your cooperation in coming to this conference. Your patience has been exceeded only by your uninterrupted attention to the proceedings of the conference. You have made a contribution to an understanding of the problems that face the peoples of the world and, particularly, our own great nation.

In returning to your homes, I know you will be better equipped as a result of this conference to spread the gospel and enlarge and implement the policies of the AFL-CIO on world affairs. If we have not succeeded in reaching that objective, then we have failed in our efforts to present a good conference to you who took the time to come here to listen to the program we had fashioned for the conference.

So, on behalf of all the officers of the AFL-CIO and, particularly, myself, thank you for your attendance and thank you for your patience. I hope you have a safe return journey to your homes and God bless every one of you.

(Applause.)

(The Wednesday afternoon session was adjourned at 3:45 p.m.)

PROCEEDINGS

DINNER SESSION

Wednesday, April 20, 1960

VICE PRESIDENT HARRISON: Ladies and gentlemen, my name is George Harrison (applause), and I am one of the vice presidents of the AFL-CIO (applause).

It is indeed a great pleasure for me, on behalf of the AFL-CIO, to welcome you to this last session of our Conference on World Affairs.

I hope you enjoyed your dinner and I know you will enjoy the balance of our program at this last session.

Before proceeding with the balance of the program, I should like to introduce my colleagues and our distinguished and honored guests on the dais.

(Whereupon the following named men, sitting on the dais, were introduced, stood, and were applauded: Vice President Jacob Potofsky, Vice President Richard Walsh, Vice President Joseph Keenan, Vice President David Dubinsky, Dr. Ernest Grigg, Secretary William F. Schnitzler, Vice President James Carey, Vice President Harry Bates, Vice President Emil Rieve, Vice President James Suffridge and Mr. Harry Van Arsdale.

VICE PRESIDENT HARRISON: I shall now introduce the next speaker: After he addresses you, he in turn will introduce the next speaker; then, he in turn will introduce our president, George Meany.

It is a great privilege and a pleasure to introduce the well-known, articulate, and highly capable president of the Automobile Workers Organization, Brother Walter Reuther.

(Applause.)

WALTER REUTHER

"Priorities for Waging Peace"

VICE PRESIDENT REUTHER: Brother Harrison, President Meany, our distinguished guests and friends:

I think the conference we have had is significant because this is the first time that people in the leadership of a very broad section of American Labor have taken the time to spend two days together talking about the problems of the world. We have done this because we realize that peace and freedom and all of the other basic values that we cherish as free men are essentially indivisible and that we cannot make them secure in America without making them secure in the world.

We have been talking about the many complex problems that we face in a troubled world.

This morning, General Medaris told us that we have a stockpile of nuclear weapons in America equal to ten tons of TNT for every man, woman and child living in the world. Now, we cannot comprehend the destructive power suggested by that simple statement of fact, but we can comprehend that in the world in which we live peace has become a condition of human survival because no one can win a war in which the great powers use their destructive nuclear capabilities.

Yet we still think of the current power struggle in the old context. What we need to understand is that the new dimensions of this power struggle are such that we are not struggling for supremacy, because no one can achieve supremacy; we are struggling for survival, and this means that the task is that much more difficult.

(Applause.)

Because we live in the strongest of the free nations, we, of necessity, must assume increasing responsibilities in the world. We all believe that adequate military power is essential; but we also must understand, I believe, that military power is but the negative aspect of a dynamic foreign policy. It buys us time. It gives us the opportunity and what we do with that time and how we take advantage of the opportunity in taking the offensive on the economic, social and political fronts in the long pull will be decisive as to whether we will succeed in winning over the forces of tyranny.

I happen to believe and I think the free world labor movement shares the point of view that the contest between freedom and tyranny is not going to be won by the things that the General talked about this morning, by the destructive power of the bomb or the range of the missile. In the final analysis, we will prevail only by demonstrating that our kind of free society provides the means by which people can come to grips with and find solutions to compelling human problems. That's the area in which democracy must prove its superiority over the systems of tyranny and this, essentially, is the area in which the free world labor movement is concentrating its energy, its resources and its dedication.

We belong to the International Confederation of Free Trade Unions. We are a part of the great family of free labor, 57 million strong throughout the free world.

Look throughout the world. Where labor is strong, where the labor movement has struggled to win a major measure of economic and social justice, there the forces of tyranny are weak and without influence. This is why we have said many times that the free world labor movement is the most effective anti-Communist force in the world. It is the most powerful.

(Applause.)

It is one of the most positive forces working for peace and security. Why? It is because we have understood this simple lesson: That the struggle for peace and the struggle for freedom are inseparably bound together with the struggle for social justice. You cannot make peace, nor can you make freedom secure in a vacuum or a test tube. These values must be made secure in a world where there are compelling human problems that cry for solution, in a world where more than half of the people live or exist on less than \$100 per year income.

I'm disturbed because I believe we are losing ground in the struggle for the uncommitted peoples of the world, who, I believe, ultimately will be the balance of power. I think we are losing not because we are unequal to the challenge; I think we are losing because we are not really trying.

I would like to suggest that there are a number of things about the foreign policy of our Government that ought to be re-evaluated. I think we tend too often to shape our policy in the image of our fears, when we ought to shape it in the image of our hopes and our dreams. I think we tend to overemphasize military power in places in the world where people are hungry. Too often the image of America does not come through clear and sharp because of Communist distortion, and somehow we get identified with the defense of the status quo in parts of the world where the status quo is unacceptable to the great mass of people.

Sometimes we also make the mistake of trying to shape the world in our own image. We are not trying to remake the rest of the world as we are. We are fighting for a free world in which all people can decide the goals they want to achieve for themselves.

Greater Sense of Urgency Needed

I believe what we need to do in America is to throw off the corrupting influences of complacency.

I think we need somehow to achieve a greater sense of urgency, because the challenge today is no less threatening than was the challenge following the dark days of Pearl Harbor. Yet we go on, business as usual, life as usual, Government as usual, just as though we could meet the challenge of peace on a part-time basis with what is left over after we do all the other things that constitute normal life in a free society.

We need desperately a sense of national unity and a sense of national purpose, because unless we know more clearly where we are going, we will fail to commit ourselves and our resources to make it possible to get there.

I think that we need nothing less than a total effort if we are to win the peace.

Now, domestic policy, which aborbs most of our time, is inseparably tied with foreign policy because what we do on the home front determines our capabilities on the world front. This is why I believe and I have been suggesting for some time that America needs a list of priorities and an agenda on which we place things in accordance with their importance, so that first things come first.

Let me just touch on two of the things that ought to go on that list of priorities. Take the question of education:

Education, Necessary Priority

The Russians did not achieve their present level of technological competence by wishful thinking or by reading Das Kapital or the other works of Marx or Lenin or Engels or Stalin. They got there by a tremendous educational effort in great depth. Let's have utter contempt for their system of values, but let's not make the tragic mistake of having contempt for their competence. If America is to be equal to this challenge, we had better get off dead center and begin to make a comparable effort in the educational field to prepare our children to meet these complex problems in the years ahead.

(Applause.)

Then we have the problem which relates to the kind of symbol that we represent in the world. The world is on the march and most of the people engaged in the revolutions that shape the world are colored people. There is an inescapable relationship between what goes on in South Africa and what goes on in South Carolina. These people are determined to win that measure of

human dignity that every creature of God is entitled to, and we have to identify ourselves with their struggles. Their banners are not inscribed with slogans out of Das Kapital or Marx or Lenin. You will find that the inspiration behind most of these revolutions are derived from the words of Thomas Jefferson and the principles of the Bill of Rights. But, somehow, they think we have betrayed these principles of our own revolution when they look at America and what we do on the civil rights front.

I say we need as much courage now, in America, in fighting against the master race theory at home as we showed when we were fighting the master race theory in the battlefield.

Only with such moral credentials will we be able to provide or be worthy of providing free-world leadership.

Greater Emphasis on Foreign Aid

Now, on the world front, there are many things that we need to be thinking about, and I should like to suggest great emphasis in these specific areas:

I think we must recognize the need of half of the people of the world to find the capital to develop their own economic resources, to raise their own living standards and to fight poverty and ignorance and disease. The dimensions of this problem are so tremendous that it will take a greater long-range effort than we have thus far been willing to commit ourselves to.

The Russians are going to give increasing emphasis to economic penetration and political subversion. We should not help people because we are afraid that the Communists are going to capture them. We must help hungry people because they need something to eat. We must make that positive approach.

Take our food surpluses. They are a heavy burden on the American economy, but they can be a blessing where people are hungry. We can create regional granaries as insurance against crop failure. We can supplement existing diets without disturbing the world markets of other grain-producing nations.

We can use food as capital to help accelerate capital improvement in the underdeveloped countries. There are many things that we can do.

Work Through United Nations

Thirdly, I believe we need to place greater emphasis upon working through the United Nations. When you approach a country unilaterally, too often its government and people are suspicious because they think they are being involved in the power struggle. I happen to believe that one dollar spent through the United Nations in many situations will bring a greater re-

turn than ten dollars spent by a unilateral approach to these problems.

Then we have this problem that the Russians are working on. Just recently they opened up a university to which they are going to bring thousands of students from all over the world. We ought to have a scholarship program in America for American students and for students from all over the world who will qualify through competitive academic exams. We should say to these young people, "We want to enlist you in a kind of United Nations Peace Corps. You choose the profession you want to work in and we will give you a scholarship, and when you graduate you go to some undeveloped country of the world and serve there in lieu of your military service."

The more young Americans and the more young people of the world that we train to go throughout the world with slide rule, with medical kits, with text books, to work and build with the tools of peace, the greater are the possibilities that we won't have to send them there to fight with the weapons of war in the future.

(Applause.)

Everyone prays that the temporary ban on nuclear testing can be translated into a permanent agreement with proper safe-guards and controls, because the human family lives under a cloud that can only destroy human life in time, and against which there can be no protection. Our Government certainly has the support of all of us in pursuing efforts at every level of diplomatic contact, in trying to find a way to make the first historic step of a permanent ban, with universal inspection and control; and then, within that framework, to pursue a disarmament program so that the heavy burden of armaments can be lifted from the back of humanity.

I would like to suggest that we had better look at the Chinese situation realistically and practically because no disarmament program can possibly be effective if the Chinese are outside of that agreement; we need realistically to begin to discuss under what specific conditions—and there must be specific conditions—the Chinese can earn a place in the community of nations, which they have not been able to do because of their past aggression.

Now, when you talk about priorities on the home front and priorities on the world front, when you talk about overcoming the gap in education, in housing, in health, in civil rights, when you talk about military program, and when you talk about an enlarged foreign aid program, there are always men of little faith who have sold America short in every crisis, who say, "This would be fine if we could afford it." Well, we can afford it because this is the price of survival. We can afford it because

the American economy is the greatest material asset in the possession of the free people of the whole world.

We have the technology; we have the resources; we have the skilled manpower; we have the technical knowhow. All we need is the will to put these things to work meeting the challenge of peace as we put them to work meeting the challenge of war.

We ask a simple question of ourselves: If we can have full employment and full production making the weapons of war and destruction to achieve the negative ends of war, then why can't we have full employment and full production making the good things for life, for people.

The good Lord has not ordained that full employment and full production are only the blessings of war. This is a decision within our control, but what we need to know is how to mobilize this abundance. If we can get a five per cent growth in our economy, we can have full employment; we can have full production; we can have adequate schools and housing and medical care; we can have an adequate defense program and we can still be able to commit that percentage of our gross national product essential for the implementation of an adequate foreign aid program.

But consider the fact that in 1958 in this country of ours because of unemployment and idle capacity in the steel industry, we lost 47 million tons of steel, which are gone forever, because the most perishable thing in the world is human labor. You can store a ton of steel. You can store a bushel of corn. But you can't store an hour of human work. You have to use it when it is available, and we threw away 47 million tons of steel that we could have produced.

What does that mean in terms of the need of the underdeveloped countries? That represents three times the steel consumed by all of the underdeveloped countries in 1959. We threw that away. Now, if Mr. Khrushchev were under-utilizing the Soviet economy to the tune of 47 million tons of steel a year, we could all relax. This is the margin of economic progress at home. It is the margin of survival in the contest between freedom and the forces of tyranny.

I think what we better do is to roll up our sleeves in America. The American workers are prepared. There is nothing that we would like more than the opportunity to share in full employment and full production, making the things we need in peacetime and making them in such great abundance that we can help other people to help themselves in raising their living standards.

(Applause.)

I want to finish with one thought: There is nothing wrong with America that a sense of rededication, a sense of purpose, cannot cure. But I am disturbed more and more when I hear the notion being articulated that man is capable of his highest achievements only in terms of negative reflexes, only when he is driven by common fears and common hatreds.

I don't buy that. I think you can get people working and fighting and sacrificing for the things they believe in as well as fighting and sacrificing against the things to which they are opposed—and yet, this is our basic problem.

We have to find a way to tap the great spiritual reservoir within the human family and get people working and acting for peace as we get them to work, to march, to fight, and to die in war. We in America must provide that leadership.

I said yesterday that after the meeting that I addressed in Berlin I left Germany, the Dusseldorf area of Germany, where they had tremendous economic power. I went to England, where they have a rich democratic heritage, but not much economic power. We are blessed with both. We have tremendous economic resources; we have a rich democratic heritage to give meaning and purpose and direction to the utilization of those resources.

That's why we share the major responsibility in this troubled world. Let's go forth from this conference with a great sense of understanding and a greater sense of urgency to do what we can to get America to move from the dead center of complacency, to take the offensive, so that we can mobilize our economy, achieve full employment and get on with the job of fighting a total effort to win the peace.

Thank you.

(Rising applause.)

VICE PRESIDENT REUTHER: I'm now privileged to present to you our guest speaker.

We are most fortunate to have him here to conclude this twoday conference on world affairs.

He is a distinguished American with a very wide and varied career. He has been a most successful member of the Wall Street financial community. He has had a very distinguished military service, serving in the Pacific theater during the last war as a Lieutenant Commander in the United States Navy. He served as the United States Ambassador in France, Special Adviser to NATO, and participated in numerous international conferences, including one of SEATO; more recently he has been representing the United States in meetings of the Organization for European Economic Cooperation.

We in the labor movement have been most encouraged by his recent forthright statements on the need for achieving greater economic growth to meet the challenge that economic growth in the Soviet Union represents to the free world.

Our guest has done the many jobs that he has been charged with so well and with such great competence and dedication that recently he was elevated from Deputy Under Secretary of State to the Under Secretary of State. This was done not by the President; this was done not by the Secretary of State. It was done by act of the United States Congress.

At this time, I am very privileged to present to you our distinguished guest, the Honorable Douglas Dillon, the Under Secretary of State.

(Applause.)

UNDER SECRETARY OF STATE DOUGLAS DILLON

"American Foreign Policy Today"

HONORABLE DOUGLAS DILLON: Mr. Chairman, honored guests, and ladies and gentlemen:

First, let me thank you, Walter, for that build up.

The conference you have just concluded provides renewed evidence—if indeed any were needed—that American labor is conscious today, as never before, of the great efforts which our country must make in the never-ending search for peace. American labor well knows that we can no longer think of our security as something apart, enshrined in a "Fortress America;" American labor recognizes that we cannot continue indefinitely to enjoy our material well-being unless other peoples—particularly the underprivileged of the newly developing areas—also prosper. American labor is a truly influential force whose understanding and support of our international objectives are essential to their achievement. I therefore welcome this timely opportunity to discuss three major aspects of our foreign policy:

First, our efforts to preserve the liberty and strength of the free world, and to resist the Sino-Soviet imperialistic drive.

Second, our efforts to keep the fierce and inescapable struggle to which we have been challenged by the Communist leaders from exploding into war.

Third, our long-range search for a world order capable of securing peace with justice and freedom.

Soviet power and determination to expand Communist influence throughout the world pose grave and continuing threats to peace. Despite constant talk of "peaceful co-existence," there

is no evidence that Communist expansionist ambitions have altered in the slightest. It is true that Soviet rulers now appear anxious to pursue their unchanging goals through non-military tactics—through diplomacy, trade, economic aid, propaganda, and internal subversion. However, they remain fully confident that the totalitarian system shall prevail. Their present emphasis on non-military measures does not mean that the struggle will be less intense nor the stakes less important. The primary issue today is nothing less than the survival of free men in a free civilization.

(Applause.)

Meanwhile, the Sino-Soviet bloc maintains enormous military power, which reinforces its constant pressure upon the free world. The risk of armed conflict is always with us. We must mount a vigorous and continuing effort to contain that risk if peace is to be kept.

A first imperative is to maintain our military strength at a level which will ensure that the Soviet leaders will never be tempted to unleash thermonuclear war against the United States or its allies. We have such strength today, and I can assure you that our present and projected defense programs will maintain and reinforce this essential strength.

Another imperative is to maintain and reinforce our collective system of defensive security pacts, involving nearly half a hundred nations and reaching the farthest corners of the globe. This collective strength is urgently required to deter the Communists from using local military force—as they did ten years ago in Korea—to expand their empire. Its need is pointed up by the actions of the Chinese Communists in the Straits of Taiwan, their crime against Tibet, and their recent military pressures on the borders of India.

So long as danger persists and there is no general and effective system of arms control, we and our allies must keep up our defenses. We must not be deluded by any superficial appearance of "detente" into relaxing these efforts.

But this is not enough. To keep the peace we must also try to establish rational communication with the Soviet Union. Despite undiminished Soviet ambitions, there is considerable evidence that the Soviets, like ourselves, are conscious of the dangers of the present situation and wish to reduce the risks of major war. We are seeking to verify this through negotiation. Our immediate objective is to minimize the risk of war by miscalculation. Our ultimate objective is the removal of these dangers through settlement of outstanding issues and the creation of a stable world order. This, however, is a long-range goal which

cannot be realized unless and until the Communist leaders abandon their imperialist ambitions.

With these objectives in mind, we are now engaged in the arms control conferences at Geneva and are preparing for the Summit meeting next month in Paris. We are and shall be openminded in our search for agreements which could alleviate the present dangerous confrontation—but without sacrificing those principles we deem to be right and just.

Berlin Issue Critical

The central issue confronting the Soviet Union and the Western nations at the Summit is the problem of Germany including Berlin. No issue on earth today is more critical. It involves the immediate fate of two and a quarter million West Berliners and the ultimate destiny of about 70 million Germans. It bears directly upon the future stability of Central Europe and the possibility of a lasting European peace. It represents a critical test of the integrity and dependability of the free world's collective security systems—because no nation could preserve its faith in collective security if we permitted the courageous people of West Berlin to be sold into slavery.

(Applause.)

It also represents a critical test of Soviet good faith in all areas of negotiation. For the goals of disarmament and the general improvement of East-West relations have no prospect of attainment if we find that the Soviet rulers or their East German puppets are prepared to use force or the threat of force in an attempt to isolate and subjugate West Berlin. Finally, we must recognize that the issue of Germany and Berlin, if it cannot be resolved through negotiation, may involve the gravest of all issues: The issue of peace or war.

In the long run, the problem of Germany and Berlin can only be solved through German reunification. This the Soviets have so far rejected, fearing to put their rule in East Germany to the test of a free vote. But we cannot abandon our goal or abate our efforts toward its achievement, because we know that a divided Germany will remain a powder keg so long as the division persists. Meanwhile, we are willing to consider interim arrangements to reduce tensions in Berlin and lessen present dangers. But we are determined to maintain our presence in Berlin and to preserve its ties with the Federal Republic. We will not accept any arrangement which might become a first step toward the abandonment of West Berlin or the extinguishing of freedom in that part of Germany which is a free, peaceful and democratic member of the world community.

It would be highly optimistic to pretend that prospects of an early agreement are bright. Mr. Khrushchev has had a great deal to say recently which bears upon Berlin and Germany, and his words leave the inescapable impression that the Soviet view of Berlin is far removed from the facts. Let us examine some of his comments:

He begins with the assertion that West Berlin lies "on the territory" of the so-called German Democratic Republic. This is not only false, it is contrary to the pledged word of the Soviet Government. While it is true enough that the Soviet-occupied portion of Germany surrounds Berlin, it is equally true that Berlin was given separate status under the occupation agreement—which the Soviets themselves formulated, together with the British and ourselves.

Moreover, the so-called German Democratic Republic is one of the outstanding myths in a vast Communist web of prodigious mythology. Its puppet rulers are totally under the control of Moscow.

Despite tireless efforts to build a local Communist apparatus in East Germany, it is doubtful that these rulers could remain in power for a single day without the support of the Soviet bayonets.

(Applause.)

The East German regime is not recognized as a government by any non-Communist nation. Both legally and as a matter of geographic fact, West Berlin is entirely independent of the so-called German Democratic Republic—and it will remain so.

(Applause.)

West Berlin "A Free City" Now

Mr. Khrushchev continues to insist that Western forces leave West Berlin and that it be declared a "free city." He ignores the fact that West Berlin is already a free city—the lone island of freedom within the boundaries of the sprawling Communist empire. When he speaks of making West Berlin a "free city," his meaning is only too clear: he desires West Berlin to be free from protection, free from security, free from its commercial and cultural ties with West Germany—and cut off from freedom itself.

Mr. Khrushchev has also complained that the situation in Berlin is "abnormal." With this contention, we can wholeheartedly agree. It is indeed abnormal when one million East Berliners are forcibly divided from more than two million fellow citizens in West Berlin—when they are constrained to live under a totalitarian regime unlawfully imposed by a foreign power—and when even family units are divided by an arbitrary boundary imposed in the name of a foreign ideology.

But the abnormal situation in Berlin is merely one facet of the greater abnormality created by the artificial separation of the East Zone from the remainder of Germany. The monstrous nature of this abnormality has been strikingly demonstrated by the fact that more than two and a third million East Germans and East Berliners have, during the last ten years, exercised the only franchise available to them and have voted with their feet against Communist rule by fleeing to West Berlin and the Federal Republic.

The abnormality of which Mr. Khrushchev speaks can be cured only by permitting the whole German nation to decide its own way of life. The only practical way in which they can exercise this right is through free elections. Mr. Khrushchev and other Soviet spokesmen have often proclaimed their devotion to the principle of self-determination. This pretense is exposed as an empty gesture when they refuse to apply that principle to Berlin and Germany.

Mr. Khrushchev has also argued that we must move rapidly to liquidate the "left-overs" of the Second World War—among these he includes what he describes as the "occupation of West Berlin by American, British and French forces." We are even more anxious than Mr. Khrushchev to liquidate the left-overs of World War II. But Mr. Khrushchev must recognize that these left-overs are rather numerous:

Is the Soviet Union prepared to remove its forces from East Germany and the Eastern European countries on which they are imposed?

Is it willing to grant self-determination to the East Germans and to permit the peoples of the Soviet-dominated states in Eastern Europe to choose their own destiny?

(Applause.)

Is it willing to abandon the fiction of a separate North Korea and to permit the entire Korean people to reunite under free elections supervised by the United Nations?

Is it at last willing to cease obstructing the operation of the United Nations Charter—to which the Soviet Union pledged itself in San Francisco—and whose application it has consistently frustrated by a series of vetoes in the Security Council?

The United States and its Western allies would be happy indeed to see these left-overs of World War II liquidate. But we

are not prepared to begin this process by permitting the isolation and engulfment of West Berlin.

We have repeatedly informed Mr. Khrushchev that we will not negotiate under duress. Yet in his recent statements about his intentions to sign a separate peace treaty with the so-called German Democratic Republic unless an East-West agreement is reached on Berlin, he is skating on very thin ice. We are approaching the Summit with every intention of seeking a mutually acceptable solution of the German problem, including Berlin, of seeking just settlements of other international differences, and of exploring ways to improve relations between the Western world and the Soviet bloc. Our positions are flexible, and we are willing to explore every reasonable avenue that may lead to agreement. But Mr. Khrushchev and his associates will be profoundly disillusioned if they assume that we will bow to threats or that we will accept their distorted picture of the German problem as a factual premise upon which to negotiate.

(Applause.)

No organization has stood more firmly or been more helpful in the fight for the freedom of Berlin and all Germany than the AFL-CIO.

(Applause.)

It was in recognition of this fact that your president last December 7th received a high decoration from Chancellor Adenauer. As a Government, we are proud to associate ourselves with Mr. Meany's statement on that occasion, and I quote: "Neither the freedom of West Berlin, nor the freedom of the 50 million people of West Germany, can be objects of international bargaining."

(Applause.)

Victory Over Want and Misery

I have so far outlined those policies which we are pursuing in order to keep the peace. But this alone is not enough; we are energetically striving to advance the freedom and well-being of all the world's peoples. This is our "program for victory"—victory over want and misery in the period of intensified competition with Communism that lies ahead.

Your Executive Council has well stated: "Hundreds of millions of people throughout the world live in abject poverty and are denied the essentials of political and spiritual freedom. Soviet imperialism continues to intensify and place increasing emphasis on attempts to exploit this poverty and injustice."

It is these underprivileged and newly developing peoples who are increasingly the target of Soviet policy. The Communist

drive is far more than economic—it also involves political, psychological and cultural factors.

As free men we have accepted the Communist challenge in the newly developing areas, confident that our society and principles represent the revolutionary dynamic of freedom that must ultimately prevail.

We must continue to carry the message of freedom and share its rewards with the less-privileged peoples. Unless they can have hope for the future, their desperate poverty may incline them to Communist panaceas. We must continue to help them gain a stake in freedom. We must work with these peoples to build up their countries on the same basis of mutuality of interest that has guided the diverse groups in the United States in working together to build our great country.

The welfare of all of the newly developing areas is a matter of deep concern to us. The position of our friends and neighbors in Latin America is of special importance, and I can assure you that we shall never take our southern neighbors for granted. We are sincerely interested in the advancement of the newly emerging peoples of Africa—and our concern is by no means limited to material progress. We are deeply sympathetic to the yearnings of the African peoples for dignity and for equality. It is our sincere hope that the United Nations Security Council resolution of the 1st of April, which deplored current developments in South Africa and called upon the Secretary-General to consult with the government of South Africa, will prove to be effective.

I know that I do not have to appeal to you for support in our efforts to extend the blessings of freedom to all men, everywhere. In the resolutions adopted by your convention at San Francisco last September, you called for "an expanded, long-term and fully effective program of economic aid and technical assistance to the industrially less-developed nations."

Your strong support of this program is most welcome. I know that you, like most Americans, look upon our Mutual Security Program as a direct investment in our own future safety and well-being.

Private American groups—notably labor—are important in communicating the ideas and values of a free society. Great work has been done by the AFL-CIO, both on its own and with the International Confederation of Free Trade Unions, in assisting free labor organizations in many parts of the world. This work has already made a vital contribution to the development of peoples newly emerging into freedom and statehood.

Labor, as we know, has always been a major target of Communist subversion. With the increased emphasis which the Soviet Union has begun to place on economic penetration, the AFL-CIO and the free labor organizations abroad with which it is associated will be confronted with an even greater challenge in the years ahead. The task of American Labor in making its experience of economic advancement in a democratic framework understandable and usable to the newly developing countries is indeed a challenge that will increasingly require all the ingenuity and perseverance that can be mustered. Free labor is in an especially favored position to bring this message to the workers of the developing countries and to point up the illusory nature of the Communist appeal to achieve economic development at the cost of personal and national freedom. Free labor, I am confident, will continue to play a highly significant and constructive role in providing ideological leadership, technical guidance, and its rich experience in freedom in support of the legitimate aspirations of workers throughout the world.

In our dealings with the peoples of the newly developing areas, we must always be aware that what we do here at home has a direct bearing on our success abroad. Our country projects its image to all peoples, for better or worse. They are impressed by what we do, rather than by what we say. If they see us dealing effectively with our own internal problems—economic, educational, racial, political—they will have the best answer to the Communist argument that only by imitating its own degrading, totalitarian methods can new nations achieve economic development and a high standard of living.

We can and must demonstrate through sustained economic growth that freedom works, and that it, better than Communism, can mobilize human energies and bring about equitable sharing of the fruits of labor. We can and must bury the Soviet myth that our system is decadent, while Communism is the "wave of the future."

We can do this—but only if we are deeply aware that our problems are world problems. We must realize that all we do, or fail to do here at home, has a global impact and affects American interests throughout the world.

"Peaceful Co-Existence" Minimal

We know what "peaceful co-existence" means to the Soviets. The Communist interpretation of "peaceful co-existence" is illustrated by their deeds as well as by their words. Even as they enunciate their doctrine, they proclaim in the same breath that the Communist system will ultimately absorb all other societies. Meanwhile, they continue to direct a deluge of poisonous propaganda against neighboring states and to make pro-

nouncements aimed at stirring up domestic controversies within those states. Their subversive agents and puppet political parties are active in nearly every country in the world. Their economic and trading relationships with other countries are designed not just to further legitimate trade interests, but as levers to increase their political influence and power. This is "peaceful co-existence"—Soviet style—in action. We also know that to the Soviet Union "peaceful co-existence" can even include the use of military force whenever it suits their purpose, as in the brutal repression of freedom in Hungary.

Actually, the very phrase "co-existence" is both weird and presumptuous. Until the rise of such modern totalitarian systems as Naziism and Communism, the right of separate states and systems to exist was unquestioned. Co-existence has always been assumed to be the minimal condition of peaceful international relations.

But even this minimal concept of live and let live is totally inadequate in today's world. We must live and help live. What the world really needs is cooperation—a positive and vigorous cooperation through which all systems and societies can join hands in seeking solutions to pressing human problems. The United States believes in the right of all peoples to choose their own beliefs and systems, with mutual tolerance and respect for one another. We are convinced, because of our own national experience, that diversity is as useful as it is inevitable—that human differences represent a vital fountainhead of human progress. Let us therefore relegate to the scrap heap the concept of a transitory and uneasy co-existence, and seek instead to utilize the diverse attitudes and talents of all peoples to solve the ageold problems of poverty, disease, ignorance, oppression and injustice. Let us cooperate affirmatively to develop the structure and tissue of a true world community.

Now, what is the goal toward which we are striving? What kind of world do we want to see eventually come into being?

We seek an orderly world community in which the danger of war is no more and where the rule of law allows man to safely devote his energies to the arts of peace.

In its preamble, the Western Disarmament Plan, which was proposed last month at Geneva, makes this clear. It sets as an ultimate goal a secure, free and peaceful world disarmed under effective international control where disputes would be settled in accordance with the principles of the United Nations Charter.

To attain this objective, the Western plan encompasses two parallel efforts: One to control and reduce armaments. The other to strengthen peace-keeping machinery.

The plan calls for progressive disarmament measures which must be mutually binding and adequately inspected.

As a practical beginning, we aim at arms control measures to reduce the risks of war by miscalculation and to end the unregulated diffusion of nuclear weapons. For many months, negotiation has been under way. If it should be successfully concluded, a significant step toward limiting the further spread of nuclear capabilities will have been achieved. But this is not enough. We further seek prompt agreement—and the sooner the better!—on measures to reduce the risk of war by miscalculation, on safeguards against surprise attack, on measures to forestall weapons activity in outer space, and on an inspected halt to the production of fissionable materials for weapons purposes. We recognize that such measures would not drastically curtail existing armed forces. But they would stop the arms build up and would reduce the danger of global war.

Once a lid has been placed on the presently accelerating arms race, we should push on to far-reaching measures of controlled disarmament. Armed forces should be reduced to levels required only for internal security, and weapons of mass destruction should be eliminated. No nation or group of nations could then defy the organized will and purpose of the world community.

Enforceable International Law

Parallel to the measures for safeguarded arms reduction, we aim for the development within the United Nations framework of a system of universally recognized international law, and of international machinery for the enforcement of such law and for the settlement of disputes arising under it. This would require an international force capable of deterring agression. Certainly, this nation will not disarm across the board unless we are assured that an international body is in being to preserve the peace.

(Applause.)

These, then, are the ways we seek to advance toward the ultimate goal of a more orderly world. The task will not be an easy one. A look at Chairman Khrushchev's disarmament plan, which constitutes the basis of the Soviet bloc's position in the Ten Nation Disarmament Conference, makes this clear. It is, in fact, not a plan at all, but a broad statement of objectives—Communist objectives. Arms control and reduction measures are covered in sweeping generalities. No concrete provisions are made for verification and control arrangements. Nor is there any provision for policing the peace in a world devoid of arms.

We Americans are impatient. We want quick, complete solutions. But no such solutions are available for today's interna-

tional problems. Only a world assured of reasonable stability, order, and justice under law, can serve the interests of our country and of all peoples.

Such a world cannot be built overnight. Yet unless we make progress toward it, we may reach a point of no return. We shall strive toward its realization—through the UN, through our disarmament negotiations, through other negotiations with the Soviet Union, through all the far-flung efforts of our people at home and abroad in the fields of defense, of foreign trade and investment, of development assistance, of cultural relations, of personal contacts, and diplomacy.

To succeed, we will need to do more in all these fields. It is only through our united efforts as a nation that we can hope to advance our best interests in the era of rugged competition that lies ahead.

We are now engaged in a deliberate effort as a nation to influence the forces of history on a world-wide scale. Ambitious though such a task may be, we have no alternative. For unless the rapidly changing world environment is shaped toward a new era of general freedom and prosperity, and of universal order and law, neither the United States nor any other free nation can live safely—or perhaps even survive.

Our awareness of these truths drives home a sobering realization of what is required of each one of us. Our national achievement can be only the sum total of our accomplishments as individuals. The Government at Washington has no power or capacity independent of the people who make up this nation.

This is no time for easy living, for lax standards, or for personal pursuit of material benefits at the expense of the nation's interest. I appeal to all Americans to demonstrate once again that revolutionary zeal and ardor that won our independence, that saved our national unity, that drove Americans on to conquer the wilderness and create a great civilization. We are called upon today, almost literally, to help create a new world.

This is a task to inspire all Americans and enlist their dedicated efforts, today and in the years to come.

Thank you.

(Rising applause.)

VICE PRESIDENT REUTHER: Secretary Dillon, on behalf of all of the delegates and our friends who are gathered here in this final session of our two-day conference on world affairs, I would like to thank you for a very thoughtful address and a very clear and concise and comprehensive statement of United States foreign policy.

You have been most generous to come here and give us of your very limited time. We know that you have to rush off. I want to thank you for coming and, I think, that all of us have gotten a great deal out of this most comprehensive statement of United States foreign policy.

Thank you very much.

(Applause.)

Now, since Vice President Harrison has made it extremely clear beyond doubt that vice presidents are a dime a dozen in the AFL-CIO, I am privileged to call upon the only president, our good president, George Meany.

(Rising applause.)

GEORGE MEANY

"Obligations of Citizenship"

PRESIDENT MEANY: Brother Reuther, Brother Harrison, Secretary Dillon, and my colleagues on the Executive Council, ladies and gentlemen:

Let me say, first, that I am not going to speak at great length.

(Laughter.)

You have been very patient. You have heard a barrage of words in the last few days. I might say that you have heard some very important words from people who are knowledgeable in fields that we have an interest in. I just wish to stress the fact, as Secretary Dillon did a few moments ago and as our other speakers have, that this is not an easy task which the American people have set before them. The road to peace under the present circumstances is going to be a long, hard road. It calls upon the best that we have to make our contribution to this peace we so desire. And, at the same time, to preserve the type of society which we cherish here in America.

We have told our Government what we think should be the foreign policy. We have let everyone know our ideas of what other people should do. I think it would be well to close this conference by reminding ourselves of our obligations, and I know no better way of doing that than to repeat to you a few sentences delivered by General Medaris this morning after he had outlined all of our missile problems to which he brought the expert mind of an experienced military man. He had something to say about the obligations and the duties of citizenship. Speaking of all the American people, he said this:

"They must recognize that they are citizens first, and that selfish or local interests, or the peculiar special requirements

of any one group within the framework of our citizenry must take second place. They must fully understand the nature of the total threat to their security and to their freedom and that this threat is by no means limited to the miliary sphere. Selfishness, softness, lack of understanding and disinterest can be just as deadly to America's future as any lack of military power. The crises of these times demand patriotism of the highest order. If our people understand this fact, I have no doubt that they will rise fully to the occasion and demonstrate that the strength of free men is far superior to that of any system of slavery."

May I say on behalf of the AFL-CIO, in the finest traditions of the American trade-union movement, in the tradition of Samuel Gompers, who always placed citizenship before trade unionism, that American Labor in these trying days ahead will rise fully to the occasion and demonstrate our belief in a society of free men in a world of free people.

Thank you,

(Rising applause.)

VICE PRESIDENT HARRISON: This concludes our program. Thank you very much.

(At 9:40 p.m. the dinner session was concluded.)



